December 15, 2023

SBICAPS Daily Digest

SBICAPS Complete Investment Banking Solutions

Tables:

Foreign G-Sec Bond Yield:

G-sec	Yield (in %)	1-Day Change in Bps
US 10Y*	3.95	-2
US 2Y*	4.43	9
Germany 10Y	2.10	-7
UK 10Y	3.78	-4
Japan 10Y	0.68	5

*Source: Bloomberg, *semi-annual*

G-sec yield:

G- Sec	Yield (in %)	1-Day Change in Bps
7.06% GS 2028*	7.12	-11
7.18% GS 2033* (10Y)	7.20	-6
7.18% GS 2037*	7.31	-6
91-day T-bill	6.98	0
182-day T-bill	7.19	0
364-day T-bill	7.19	0

*Source: CCIL, RBI, *semi-annual*

Spreads in bps for Corporates

Annualized Spreads	3-year	5-year	7-year	10-year
AAA	48	57	72	37
AA	114	125	140	104
A	301	314	331	298

Source: FIMMDA, as on 13 Dec, 2023

Key rates:

Policy	Rate (in %)
Repo rate	6.50
Standing Deposit Facility Rate	6.25
Bank rate	6.75
1-year median MCLR of SCBs	8.70
SOFR	5.31

Source: RBI, Federal Reserve Bank of New York

Money Market instruments:

Instrument	Volume (in Rs. Bn)	Weighted Avg Rate (%)
Call Money	118.0	6.76
Triparty Repo	3,584.4	6.75
Market Repo	1,486.1	6.78
Repo in corporate bond	0.0	NA

Source: RBI, as of 14 Dec, 2023

Major Equity Indices:

Indices	Last	1-Day Change %
BSE SENSEX	70,514	1.3
NIFTY	21,183	1.2
NASDAQ	14,761	0.2
S&P 500	4,720	0.3
Nikkei 225	33,080	0.5
Euro Stoxx 50	4,540	0.2

Source: Google Finance

Commodities futures:

Commodities	Last	1-Day Change %
Brent Crude (USD/bbl)	77.0	3.3
Natural gas Nymex (USD/MMBtu)	2.4	3.4
Gold Comex (USD/t oz.)	2,049.6	0.1
Copper Comex (USD/lb)	389.0	1.4
Wheat cbot (USD/bu.)	617.8	1.3

Source: Bloomberg

Exchange Rates:

Currency pair	Rate	1-Day Change %
USD/ INR	83.30	-0.1
GBP/ INR	106.33	1.0
EUR/ INR	91.52	0.9
EUR/USD	1.10	0.8
DXY Index	101.94	-0.6

Source: Morningstar, Bloomberg, Marketwatch

Today's Key Macro Events:

India: Trade Balance Nov'23, G-Sec Auction, VRR Auction; **Flash PMI Dec'23:** US, Eurozone, Japan; **China:** Fixed Asset Investment, Industrial Production, Retail Sales, Unemployment Rate Nov'23; **Russia:** Policy Rate

News:

International:

PBoC offers stimulus as China displays signs of patchy recovery (Source: Reuters):

- PBoC kept MLF rate unchanged while extending stimulus to the economy by injecting a record high net USD 112 bn as medium-term policy loans to commercial lenders
- Fixed asset investment was maintained at 2.9% y/y in 11MCY23, same as 10MCY23, yet missing the expected 3% y/y number
- Industrial output surpassed estimated 5.6% y/y to reach 6.6% y/y figure, favoured by base effects, in Nov'23
- Retail sales increased by 10.1% y/y in Nov'23, up from 7.6% y/y in Oct'23, but missing expectations of a 12.5% y/y

ECB maintains rates, despite easing inflation (Source: ECB): ECB decided to keep its benchmark rate unchanged at 4.5%, despite ebbing inflation which is expected to pick up owing to increased unit labour costs. Inflation is expected to average 5% in CY23, 2.7% in CY24, 2.3% in CY25 and 2.1% in CY26. Growth is expected to remain subdued in the near term with average of 0.6% in CY23, 0.8% in CY24 and picking up to 1.5% in CY25 and CY26

BoE executes hawkish pause despite slowing economy (Source: Reuters): Bank of England held policy rates at 15-year high of 5.25%, with policymakers advocating for higher for longer in order to reign in runaway inflation to 2% target, amidst data indicating that the economy could be headed towards a protracted slump.

Oil demand to further slowdown as economic activity weakens (Source: IEA): Oil demand is on track to rise by 2.3 mbpd to 101.7 mbpd in CY23, adjusted lower by 90 kbpd, caused by slow demand in Europe. Demand is expected to halve to 1.1 mbpd in CY24. Notably, India's oil product demand growth is expected to slow down from 4.1% y/y in CY23 to 2.5% y/y in CY24.

Holiday shopping fuels US retail sales growth (Source: Reuters): US retail sales increased by 0.3% m/m in Nov'23, after falling 0.2% m/m in Oct'23, as retailers offered hefty discounts to attract customers during festive season, coupled with low gas prices freeing up money for spending elsewhere. Notably, retail sales rose 4.1% y/y in Nov'23, alleviating fears of recession.

Domestic:

WPI returns to positive after 8-months due to food prices (Source: BS): The WPI stood at 0.26% y/y in Nov'23 from -0.52% y/y in Oct'23, after staying deflationary for 7 months on the back of fading high base effect and surge in the prices of food articles, minerals, and motor vehicles among others. Food inflation increased to 8.18% y/y in Nov'23 from 2.53% y/y in Oct'23 led by accelerating prices of onions (101.24% y/y), pulses (21.64% y/y) and paddy (10.44% y/y)

Net direct tax collection shows robust growth (Source: BS): Net direct tax collection rose by 23.4% y/y to Rs. 10.64 trn in 8MFY24, reaching 58.34% of FY24BE. Gross collections grew 17.7% y/y to 12.67 trn while refunds amounting to Rs. 2.03 trn were issued in 8MFY24.

IRDAI proposes limit on surrender charges for non- linked life plans (Source: ET): In the draft product regulations, recently released by IRDAI, there will be a threshold applied on surrender charges, increasing surrender values of non-linked life products. Further, the proposal is likely to compel insurers to rejig distributor commissions and review their profit margins.

Contd…

Higher spending by Union leads to lower logistic costs (Source: Deccan Herrald): Domestic logistics costs, including transportation, warehousing, insurance and administrative charges, have come down to under 9% of GDP due to rising spending by the Union on roads, ports and digitization, with logistics costs now comparable to western countries. According to media sources, the logistics costs were down in the range of 7.8% to 8.9% of GDP in FY22, from 8.8% to 10% of GDP in FY13.

Union considers Rs. 100 bn scheme to provide stimulus to chip ancillaries (Source: ET): According to media sources, the Union is planning to launch an overhauled version of SPECS scheme worth Rs. 100 bn, in order to spur electronics and semiconductor component plants with funds allocated on a pari-passu basis, as funds allocated to the SPECS scheme are almost over.

Home sales expected to surge in CY23 (Source: BS): According to Anarock, homes worth Rs. 4.5 trn are expected to be sold in CY23, a rise of 38% y/y from Rs. 3.27 trn in CY22, with Rs. 3.48 trn worth of properties being sold in top 7 cities in 9MCY23 itself reflecting increasing demand for premium luxury homes.

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