

Tables:

Foreign G-Sec Bond Yield:

G-sec	Yield (in %)	1-Day Change in Bps
US 10Y*	3.80	-8
US 2Y*	4.26	-4
Germany 10Y	1.89	-9
UK 10Y	3.43	-7
Japan 10Y	0.59	-1

Source: Bloomberg, *semi-annual

G-sec yield:

G- Sec	Yield (in %)	1-Day Change in Bps
7.06% GS 2028*	7.12	3
7.18% GS 2033* (10Y)	7.21	3
7.18% GS 2037*	7.32	2
91-day T-bill	6.93	-1
182-day T-bill	7.16	2
364-day T-bill	7.13	2

Source: CCL, RBI, *semi-annual

Spreads in bps for Corporates

Annualized Spreads	3-year	5-year	7-year	10-year
AAA	58	65	46	46
AA	124	130	112	114
A	311	320	302	304

Source: FIMMDA, as on 26 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	5.35

Source: RBI, Federal Reserve Bank of New York

Money Market instruments:

Instrument	Volume (in Rs. Bn)	Weighted Avg Rate (%)
Call Money	104.6	6.81
Triparty Repo	3,706.0	6.78
Market Repo	1,307.8	6.81
Repo in corporate bond	3.6	7.11

Source: RBI, as of 27 Dec, 2023

Major Equity Indices:

Indices	Last	1-Day Change %
BSE SENSEX	72,038	1.0
NIFTY	21,655	1.0
NASDAQ	15,099	0.2
S&P 500	4,782	0.2
Nikkei 225	33,681	1.1
Euro Stoxx 50	4,528	0.1

Source: Google Finance

Commodities futures:

Commodities	Last	1-Day Change %
Brent Crude (USD/bbl)	79.8	-1.4
Natural gas Nymex (USD/MMBtu)	2.6	1.6
Gold Comex (USD/t oz.)	2,097.5	1.0
Copper Comex (USD/lb)	395.9	1.1
Wheat cbot (USD/bu.)	625.8	-1.4

Source: Bloomberg

Exchange Rates:

Currency pair	Rate	1-Day Change %
USD/ INR	83.35	0.2
GBP/ INR	106.71	0.8
EUR/ INR	92.51	2.0
EUR/USD	1.11	0.8
DX Index	100.80	-0.7

Source: Morningstar, Bloomberg, Marketwatch

Today's Key Macro Events:

US: Trade balance Nov'23, Pending home sales Nov'23, Jobless claims; **Japan:** Industrial production Nov'23, Retail sales Nov'23

News:

International:

US treasuries jump as another smooth auction boosts confidence (Source: Bloomberg): Rates on 5 to 30-year treasuries declined by at least 10 bps, after an auction of 5-year notes fared better than expected, taking its yields to 3.80%. Further, yield on 10-year notes also declined to 3.80%.

Japan factory output slips in fresh sign of patchy recovery (Source: CNBC): Industrial production decreased 0.9% m/m from Oct'23, falling for the first time in 3 months. The drop was attributed to a 2.5% reduction in motor vehicle production, driven by slowdowns in the manufacturing of small cars and engines.

South Korea chip output jumps in Nov'23 (Source: CNBC): Chip production jumped 42% y/y in Nov'23, the most since early 2017, while shipments soared 80%, underscoring a revival of technology momentum.

Strong wind generation turns European power prices negative (Source: Bloomberg): Electricity prices in Germany dropped below zero due to strong wind generation and low demand during the holiday period. Similarly, wholesale markets experienced negative prices for certain hours in France, Denmark, and Britain.

Domestic:

Banks' asset quality touches decadal high as GNPA ratio falls to 3.2% in Q2FY24 (Source: RBI, Mint, BS): In RBI's Report on Trends and Progress of Banking:

- The consolidated balance sheet of SCBs in FY23 grew by 12.2% y/y, driven by increased credit to retail and services sectors. Although there was a pick-up in deposit growth, it lagged behind credit growth
- Asset quality improvement continued, with the GNPA at 3.2% in Q2FY24, while higher net interest income and reduced provisioning contributed to improved NIM and profitability in FY23
- The consolidated balance sheet of NBFCs expanded by 14.8% y/y in FY23, driven by double-digit credit growth. Profitability and asset quality also improved in FY23 and H1FY24, with the sector remaining well-capitalized
- NBFCs need to broad-base their fundraising to limit reliance on banks. There is a concentration in exposures of government NBFCs to the power sector, which needs to be reduced
- SFB show a notable reliance on higher-rate deposits from cooperative banks, implying substantial interconnectedness and contagion risks

RBI implements government securities lending directions with immediate effect (Source: RBI, BS): As per these directions, Union government securities (excluding T-bills) can be lent and borrowed in government security lending transactions. Both Union government securities (including T-bills) and state government-issued securities are eligible collateral for such transactions.

Focus on capex-led growth strategy to continue (Source: The Hindu Businessline): Finance ministry indicated that the government would continue to emphasize on a capex-driven growth approach to bolster the economy and draw private sector investment. It has significantly raised its capital investment allocation recently.

T-bill and VRR auctions conducted successfully (Source: RBI):

- 91-day T-bills worth Rs. 162 bn were auctioned against a notified amount of Rs. 70 bn at a cut-off yield of 6.93%. 182-day T-bills worth Rs. 80 bn were auctioned against a notified amount of Rs. 80 bn at a cut-off yield of 7.1554%. 364-day T-bills worth Rs. 111.1 bn were auctioned against a notified amount of Rs. 90 bn at a cut-off yield of 7.13%.
- 2-day VRR worth Rs. 500 bn were conducted against a notified amount of Rs. 500 bn at a cut-off yield of 6.71%

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