

Tables:

Foreign G-Sec Bond Yield:

G-sec	Yield (in %)	1-Day Change in Bps
US 10Y*	3.84	4
US 2Y*	4.27	1
Germany 10Y	1.94	5
UK 10Y	3.49	6
Japan 10Y	0.61	2

Source: Bloomberg, *semi-annual

G-sec yield:

G- Sec	Yield (in %)	1-Day Change in Bps
7.06% GS 2028*	7.12	0
7.18% GS 2033* (10Y)	7.21	0
7.18% GS 2037*	7.32	0
91-day T-bill	6.93	0
182-day T-bill	7.16	0
364-day T-bill	7.13	0

Source: CCL, RBI, *semi-annual

Spreads in bps for Corporates

Annualized Spreads	3-year	5-year	7-year	10-year
AAA	75	70	39	40
AA	141	135	105	108
A	328	325	295	298

Source: FIMMDA, as on 27 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	5.39

Source: RBI, Federal Reserve Bank of New York

Money Market instruments:

Instrument	Volume (in Rs. Bn)	Weighted Avg Rate (%)
Call Money	113.7	6.80
Triparty Repo	3,355.4	6.77
Market Repo	1,310.0	6.81
Repo in corporate bond	2.7	7.59

Source: RBI, as of 28 Dec, 2023

Major Equity Indices:

Indices	Last	1-Day Change %
BSE SENSEX	72,410	0.5
NIFTY	21,779	0.6
NASDAQ	15,095	0.0
S&P 500	4,783	0.0
Nikkei 225	33,540	-0.4
Euro Stoxx 50	4,514	-0.3

Source: Google Finance

Commodities futures:

Commodities	Last	1-Day Change %
Brent Crude (USD/bbl)	77.4	-3.1
Natural gas Nymex (USD/MMBtu)	2.5	-3.1
Gold Comex (USD/t oz.)	2,078.7	-0.9
Copper Comex (USD/lb)	392.4	-0.9
Wheat cbot (USD/bu.)	631.0	0.8

Source: Bloomberg

Exchange Rates:

Currency pair	Rate	1-Day Change %
USD/ INR	83.17	-0.2
GBP/ INR	105.89	-0.8
EUR/ INR	91.99	-0.6
EUR/USD	1.11	-0.4
DXY Index	101.16	0.4

Source: Morningstar, Bloomberg, Marketwatch

Today's Key Macro Events:

India: VRR Auction, G-Sec Auction, Eight Core Index Nov'23, Fiscal Deficit Nov'23, Foreign Debt Q3FY24, Bank Credit Nov'23; **Russia:** CPI Nov'23

News:

International:

US goods trade balance widens slightly in Nov'23 (Source: Bloomberg): US goods export fell -3.6% m/m to USD 165.1 bn in Nov'23, while imports fell -2.1% to USD 255.4 bn. This led to trade deficit widening from USD -89.6 bn to USD -90.3 bn, slightly larger than expectation of USD -89.5 bn. This would be the largest goods trade deficit since Jul'23 and may potentially impact Q4CY23 GDP.

US economic indicators show a slowing economy (Source: Reuters, Bloomberg):

- On account of holiday season, wholesale inventories in Nov'23 fell by 0.2% m/m (Oct'23: -0.4%) in line with expectations, while retail inventories ex auto fell by 0.8% (Oct'23: -0.9%)
- Initial jobless claims rose by 218k, against expectations of 210k, while continuing jobless claims remained inline with expectations
- Pending home sales recorded no change in Nov'23, against expectations of 1% m/m rise (Oct'23: -1.2%). Notably, mortgage rates slid to their lowest levels since May'23 with 30-year fixed rate at 6.61% as of 28 Dec'23

PBoC to stimulate consumer prices (Source: Bloomberg): Amid deflationary fears, with consumer prices falling at their steepest pace in 3-years, PBoC vowed to implement a prudent monetary policy in targeted and effective manner to stimulate consumer prices.

Vietnam's economic growth for CY23 misses target (Source: Nikkie Asia): GDP expanded 5.05% y/y in CY23, in real terms, missing an official growth target of 6.5%, as the economy suffered a plunge in overseas demand, leading to diminished exports. It was also below CY22's 8.02% growth.

ECB policymaker sceptical of rate cuts in CY24 (Source: Forexlive): Mr. Holzmann said that there is no guarantee for rate cuts next year. He added that monetary policy normalisation is showing impact on slowing inflation, but it would be premature to think about rate cuts.

Domestic:

Financial Stability Report shows banks have improved health, capital preparedness (Source: RBI, BS, Mint, FE): As per RBI's FSR for Dec'23:

- GNPA declined to multi year low of 3.2% as of Sep'23, with NNPA declining to 0.8%. Subsequently healthy interest margins and lower impairments have led the RoA and RoE to reach decadal highs
- CRAR and CET1 ratio stood at 16.8% and 13.7% respectively as on Sep'23. Adding that capital preparedness of banks have improved with PCR of 75.3%. Also, macro stress tests for credit risk reveal that SCBs would be able to easily comply with minimum capital requirements
- Adjusting for increase in risk weights, the CRAR of the banking system is estimated to decline by 71 bps to 16% and CET1 may fall by 58 bps to 13.2%. The impact, however, varies among banks
- CRAR of NBFCs also improved to 27.6% and GNPA improved to 4.6% as on Sep'23 with RoA rising. However, RBI projects that NBFCs are more vulnerable due to concentration risk, especially within G-NBFCs

RBI reshuffles classification of D-SIBs (Source: RBI): While ICICI Bank continues to be in the same bucketing structure as last year, SBI and HDFC Bank move to higher buckets – SBI shifts from bucket 3 to 4 and HDFC Bank shifts from bucket 1 to bucket 2. For SBI and HDFC Bank, additional CET-1 requirement surcharge will be at 0.8% and 0.4% respectively wef 1 Apr'25. Additionally, the central bank tweaked the methodology for designating banks as D-SIBs, inserting digital payments aspect.

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RBI releases draft rules on bond forwards in G-Secs (Source: RBI): As per the draft norms, transactions in bond forwards shall be undertaken in Central Government dated securities and SGS between eligible residents and non-residents. Scheduled commercial banks and primary dealers shall be eligible to undertake transactions as market makers, and they may undertake long positions and covered short positions without any limit. Users, other than FPIs, may undertake long positions without any limit, and users, except for resident companies, are permitted to undertake covered short positions.

MPC members voice their concerns about financial sector and the economy (Source: BS)

- Governor Mr. Das also added that the central bank and other financial regulators remain invested in fostering a financial system which is resilient to shocks
- Mr. Bhide pointed consumption demand as a key vulnerability for growth in the second half of current fiscal as well as next financial year. He also flagged great global uncertainties, and weak monsoons leading to sluggish agricultural growth and rural demand

SEBI tweaks norms for online bond platform providers to boost ease of business (Source: BS): Under this, the regulator has modified the framework pertaining to the issue of order receipt, deal sheet and quote receipt in case of products, securities or services.

Consultations on new EV policy to boost investments underway (Source: The Hindu Businessline): As per media sources, consultations on new EV policy to boost investment and manufacturing are underway. Talks understand and aim to bring all countries on board, including Italian, Korean, and Indian car makers. However, union is not yet ready to set a timeline for the proposed EV policy as diverse interests have to be accommodated.

Coal production increases substantially and Union plans to reduce imports (Source: PIB, FE): Overall coal production increased 12.3% y/y to 665.4 mn tonnes in FY24 until 25 Dec'23. Coal dispatch to power sector increased by 8.4% y/y to 577.1 mn tonnes, and overall stock increased by 21.6% to 91.1 mn tonnes. Notably, as per media sources, the coal ministry has drawn up a strategic plan to slash imports from over 20% now to 11% by the end of FY26, as also acceleration of mining activities by captive coal mines that now have the freedom to sell surplus production in open market.

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