

Tables:

Foreign G-Sec Bond Yield:

G-sec	Yield (in %)	1-Day Change in Bps
US 10Y*	3.94	-4
US 2Y*	4.14	-13
Germany 10Y	2.18	-5
UK 10Y	3.79	-5
Japan 10Y	0.57	-1

Source: Bloomberg, *semi-annual

G-sec yield:

G-Sec	Yield (in %)	1-Day Change in Bps
7.06% GS 2028*	7.07	1
7.18% GS 2033* (10Y)	7.18	2
7.18% GS 2037*	7.29	2
91-day T-bill	6.93	0
182-day T-bill	7.16	0
364-day T-bill	7.15	0

Source: CCL, RBI, *semi-annual

Spreads in bps for Corporates

Annualized Spreads	3-year	5-year	7-year	10-year
AAA	99	67	1	59
AA	163	130	65	126
A	353	322	259	321

Source: FIMMDA, as on 11 Jan, 2024

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	8.75
SOFR	5.31

Source: RBI, Federal Reserve Bank of New York

Money Market instruments:

Instrument	Volume (in Rs. Bn)	Weighted Avg Rate (%)
Call Money	111.9	6.78
Triparty Repo	3,697.2	6.72
Market Repo	1,362.8	6.75
Repo in corporate bond	0.3	7.25

Source: RBI, as of 12 Jan, 2024

Major Equity Indices:

Indices	Last	1-Day Change %
BSE SENSEX	72,568	1.2
NIFTY	21,895	1.1
NASDAQ	14,973	0.0
S&P 500	4,784	0.1
Nikkei 225	35,577	0.3
Euro Stoxx 50	4,480	0.9

Source: Google Finance

Commodities futures:

Commodities	Last	1-Day Change %
Brent Crude (USD/bbl)	78.3	-0.8
Natural gas Nymex (USD/MMBtu)	3.3	4.4
Gold Comex (USD/t oz.)	2,051.6	0.7
Copper Comex (USD/lb)	374.1	-1.7
Wheat cbot (USD/bu.)	596.0	-1.2

Source: Bloomberg

Exchange Rates:

Currency pair	Rate	1-Day Change %
USD/ INR	82.92	-0.1
GBP/ INR	105.67	-0.4
EUR/ INR	90.66	-0.5
EUR/USD	1.10	-0.3
DXY Index	102.44	0.2

Source: Morningstar, Bloomberg, Marketwatch

Today's Key Macro Events:

India: WPI, Trade Balance Dec'23; **Eurozone:** Trade Balance, Industrial Production Nov'23; **Germany:** WPI Dec'23

News:

International:

China's loan growth falls as demand struggles (Source: Bloomberg): Loan growth printed 10.4% y/y in Dec'23, against forecasts of 10.8% (Nov'23: 10.8%), with new loans underwritten at CNY 1,170 bn in Dec'23 (forecast: CNY 1,400 bn; Nov'23: CNY 1,090 bn) as demand remains persistently weak. Despite tepid forecasts and decelerating growth, lending was at a record high in CY23.

PBoC holds key interest rate steady (Source: Bloomberg): PBoC maintained the medium-term facility rate at 2.5%, contrary to the expectations of a rate cut, while pumping more funds in the economy to the tune of CNY 995 bn through MLF.

US producer prices fall as goods deflation seen persisting (Source: Reuters): PPI fell 0.1% m/m, against forecasts of a 0.1% rise (Nov'23: -0.1% m/m), led by goods and fuel prices while core PPI remained flat. The PPI has declined now for 3 straight months. On y/y terms, the index rose by 1%, against forecasts of 1.3% increase.

World demand and output for grains revised slightly upwards for CY24 (Source: USDA): As per Jan'24 WASDE, the world grains output has been revised upwards by 2.3% y/y to 2,812.3 mn tonnes (Dec'23: 2,803.1) led by coarse grains revised to 1,110.9 mn tonnes (Dec'23: 1,101.72) while wheat and rice output was revised downwards.

No rate cuts in the near term: ECB's Lane (Source: Bloomberg): According to ECB's Chief Economist Mr. Lane, lowering borrowing costs in the near term is not being considered by the Central Bank currently, despite the market believing otherwise.

Domestic:

Consumer inflation rises to 4-month high in Dec'23, while being lower than RBI's upper band and market forecasts (Source: PIB):

- CPI increased by 5.69% y/y, lower than forecasts of 5.87% increase (Nov'23: 5.55%) while core inflation dipped to 48-month low at 3.89%. Rural inflation was at 5.93% while urban inflation was at 5.46%
- Food inflation remained high at 8.7% y/y led by fruits (11.4%), vegetables (27.6%), pulses (20.7%) and spices (19.7%), while oils and fats decelerated. Fuel and light inflation also decelerated by 0.99%
- Sequentially, CPI declined by 0.32% m/m

Industrial output grows steadily in Nov'23 (Source: PIB): IIP grew 2.4% y/y in Nov'23 vs. 11.7% in Oct'23 (forecast: 4%), on the back of 6.8% and 5.8% y/y growth in mining and electricity respectively, while manufacturing grew by 1.2%. As per use-based classification, primary goods grew the highest by 8.4% y/y, while capital and consumer durables and non-durables decelerated.

Passenger vehicle sales rise in Dec'23 (Source: Mint, SIAM): All segments of automobile industry witnessed growth with the industry selling 286k units, up 4% y/y, while 2W and 3W grew by 16% y/y and 30% to 1,212k and 50.5k units respectively. The total production of all vehicles was 1.9 mn.

CPSEs meet 75% of capex target until Dec'23 (Source: FE): CPSEs and government enterprises have cumulatively invested Rs. 5.51 trn until Dec'23, up 22.4% y/y led by NHAI, Railways and petroleum CPSEs.

Economy withstood geopolitical shocks and can navigate uncertainties of the future: MPC's Dr. Varma (Source: FE): He further added that he expects a benign outcome in CY24 where inflation comes down and growth remains robust. Moreover, slowdown in China has led to sharply reduce commodity demand.

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SEBI mulls new framework for illiquid AIF investments (Source: The Hindu Businessline): SEBI is considering permitting AIFs to choose a dissolution period for handling unliquidated investments rather than mandating distinct liquidation scheme, given the hurdles in setting up and managing liquidation schemes and potential tax implications on account of transfer of assets.

Reduce on-lending to smaller peers: RBI (Source: The Hindu Businessline): Since smaller NBFCs, reckoned as digital lenders and fintech lenders, often play a dominant role in the unsecured loans space, particularly the small-ticket personal and business loans segment. These players often tap the large NBFCs as their primary source of funding, as availing bank funding could be challenge for them. In a bid to further streamline the unsecured loans market, RBI has asked some of the larger NBFCs to curtail their lending to smaller peers.

Farm credit for FY25 may be increased (Source: FE): As per media sources, Union is expected to increase agriculture credit by 10% y/y to Rs. 22 trn. Rs. 16.4 trn has been disbursed until 9MFY24, out of the Rs. 20 trn FY24 target. However, as per an official, despite growth in agricultural credit, there are institutional challenges such as region-wise disparity in credit flow, lack of land records especially for sharecroppers and tenant farmers.

G-Sec and VRR Auctions conducted successfully (Source: RBI):

- 7.37% GS 2028 worth Rs. 70 bn were auctioned, against a notified amount of Rs. 70 bn, at a cut-off yield of 7.0629%. 7.18% GS 2033 worth Rs. 160 bn were auctioned, against a notified amount of Rs. 160 bn, at a cut-off yield of 7.1773%. 7.30% GS 2053 worth Rs. 100 bn were auctioned, against a notified amount of Rs. 100 bn, at a cut-off yield of 7.4093%
- 13-day VRR worth Rs. 1.75 trn were auctioned, against a notified amount of Rs. 1.75 trn, at cut-off rate of 6.71%

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