

Tables:

Foreign G-Sec Bond Yield:

G-sec	Yield (in %)	1-Day Change in Bps
US 10Y*	3.93	0
US 2Y*	4.33	1
Germany 10Y	2.02	-4
UK 10Y	3.63	0
Japan 10Y	0.61	1

Source: Bloomberg, *semi-annual

G-sec yield:

G- Sec	Yield (in %)	1-Day Change in Bps
7.06% GS 2028*	7.11	2
7.18% GS 2033* (10Y)	7.22	1
7.18% GS 2037*	7.34	1
91-day T-bill	6.94	1
182-day T-bill	7.15	-1
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	71	46	24	45
AA	135	109	88	190
A	325	301	282	378

Source: FIMMDA, as on 02 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	5.40

Source: RBI, Federal Reserve Bank of New York

Money Market instruments:

Instrument	Volume (in Rs. Bn)	Weighted Avg Rate (%)
Call Money	98.4	6.75
Triparty Repo	3,579.4	6.71
Market Repo	1,458.9	6.77
Repo in corporate bond	0.5	7.77

Source: RBI, as of 03 Jan, 2024

Major Equity Indices:

Indices	Last	1-Day Change %
BSE SENSEX	71,356	-0.7
NIFTY	21,517	-0.7
NASDAQ	14,592	-1.2
S&P 500	4,705	-0.8
Nikkei 225	33,464	0.0
Euro Stoxx 50	4,448	-1.4

Source: Google Finance

Commodities futures:

Commodities	Last	1-Day Change %
Brent Crude (USD/bbl)	78.6	3.6
Natural gas Nymex (USD/MMBtu)	2.7	4.6
Gold Comex (USD/t oz.)	2,048.5	-1.1
Copper Comex (USD/lb)	386.8	0.0
Wheat cbot (USD/bu.)	603.0	-0.7

Source: Bloomberg

Exchange Rates:

Currency pair	Rate	1-Day Change %
USD/ INR	83.29	0.0
GBP/ INR	105.45	0.2
EUR/ INR	90.86	-0.3
EUR/USD	1.09	-0.3
DXY Index	102.50	0.3

Source: Morningstar, Bloomberg, Marketwatch

Today's Key Macro Event:

Services PMI Dec'23: US, Eurozone, UK; **Germany:** CPI Dec'23; **Japan:** Mfg. PMI Dec'23

News:

International:

US Fed minutes show that rate cuts are likely, but path highly uncertain (Source: Bloomberg, Reuters, CNBC): As per the minutes of the Dec'23 FOMC:

- The FOMC agreed that it would be appropriate to maintain a restrictive stance for some time, while acknowledging they were probably at the peak rate and would begin cutting in CY24.
- Majority of policymakers seeing policy rate trimmed by at least 75 bps by the end of CY24. There was no indication as to when these rate cuts could start, and some such as member Mr. Barkin, as indicated in a separate interview, believe that even hikes are possible
- Policymakers were convinced that inflation is under control and there was growing concern about the risks that overly restrictive monetary policy may pose
- A few participants suggested FOMC could face a trade-off between dual goals of controlling inflation and maintaining high rates of employment

US manufacturing sector contracted in Dec'23 (Source: PR Newswire): US manufacturing sector continued to contract, but at a slightly slower rate with ISM PMI print of 47.4 in Dec'23 as compared to 46.7 in Nov'23. Companies are still managing outputs appropriately as order softness continues. Demand eased, with the New Orders Index contracting at a faster rate.

US job openings nudged lower in Nov'23: JOLTS (Source: CNBC): Demand for workers fell to its lowest level in more than 2.5 years in Nov'23 while hirings and layoffs both moved lower. The JOLT Survey showed employment listings nudged lower to 8.79 mn in line with estimate. The ratio of job openings to available workers fell to 1.4.

China to go for expansive fiscal policy (Source: Bloomberg): China's Minister of Finance Mr. Lan said that government spending will rise in CY24 as authorities look for ways to bolster domestic demand. He added that the budget deficit will be maintained at a "certain level" in CY24, and that the government will continue to set an appropriate quota for local government bonds. Some tax cuts will be rolled out to promote technological innovation and manufacturing development.

China's Caixin services PMI expanded at quicker pace in Dec'23 (Source: S&P Global): Caixin Chian services PMI increased from 51.5 in Nov'23 to 52.9 in Dec'23 indicating 12th consecutive expansion. Better underlying market conditions and greater intakes in new business had underpinned stronger rise in services.

China's top banks tighten exposure to smaller peers to curb credit risk (Source: Reuters): As per media sources, China's top banks have sharpened scrutiny of smaller peers' asset quality. Also, they have tightened standards for interbank lending by reducing lending limits and set shorter maturity periods to curb risk.

Domestic:

Manufacturing growth decelerates further in Dec'23, though strong (Source: S&P Global): Manufacturing PMI dropped from 56.0 in Nov'23 to 54.9 in Dec'23 but still remains above long run trend. Growth of both output and new orders softened, but on the other hand, the future output index rose since Nov'23. Rates of increase in input and output prices were broadly unchanged.

Awarding of road projects remained weak in FY24 (Source: ET): The awarding of road projects continued to remain subdued in the Q3FY24 with zero award in Dec'23. For 9MFY24, road projects awarded by NHAI fell by 89% y/y to 309 km. In FY23, the NHAI had awarded 6,003 km of road projects, a y/y fall of 4.8%.

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Union revitalises the FAME scheme (Source: BS): Union has sanctioned an additional Rs 15 bn for the FAME-II programme to replenish depleting fund before the scheme ends in Mar'24 due to robust EV sales. The scheme had utilised Rs. 89.48 bn of allotted Rs. 100 bn as of 26 Dec'23. Also, EV penetration increased to 6.3% in CY23 against 4.8% in CY22. Further, Rs. 264 bn is proposed to be allocated for FAME-III subsidy, with Rs. 82 bn going to 2W, Rs. 96 bn to buses, and Rs. 41 bn to 3W. Along with other components, total allocation could touch Rs. 330 bn.

RBI issues order to tweak NCD, commercial paper norms (Source: RBI, ET): The directions, effective from 1 Apr'24, said:

- The directions state that CPs and NCDs shall be issued in dematerialised form and held with a depository registered with SEBI. These must be issued in minimum denomination of Rs. 5 lakh and in multiples of Rs 5 lakh thereafter
- The tenor of a CP shall not be less than seven days or more than one year while the tenor of an NCD shall not be less than 90 days or more than one year
- The directions further state that the issuance of a CP/NCD with options (call/put) is not permitted. Issuance of a CP/NCD is also not permitted to be underwritten or co-accepted

Explicit budget subsidies to drop in FY24 (Source: FE): The Union's total expenditure on explicit subsidies – food, fertiliser, and LPG – is likely to drop 28% y/y to Rs. 3.98 trn in FY24, from Rs. 5.49 trn in FY23. This is due to the softening of global prices of soil nutrients and the termination of the extra grains supplies under the NFS Act. The Budget Estimate of these subsidies in FY24 is Rs. 3.74 trn, with Rs. 1.97 trn for food, and Rs. 1.75 trn for fertilisers. This is as per media sources.

Wheat output may touch new record (Source: ET): Wheat production is expected to touch a new record of 114 mn tonnes in the ongoing 2023-24 crop year on higher coverage. Wheat production stood at a record 110.55 mn tonnes in the 2022-23 crop year (July-June), compared to 107.7 mn tonnes achieved in the previous year.

T-bill auctions conducted successfully (Source: RBI): 91-day T-bills worth Rs. 106.79 bn were auctioned against a notified amount of Rs. 80 bn at a cut-off yield of 6.9378%. 182-day T-bills worth Rs. 100 bn were auctioned against a notified amount of Rs. 100 bn at a cut-off yield of 7.1498%. 364-day T-bills worth Rs. 91.61 bn were auctioned against a notified amount of Rs. 90 bn at a cut-off yield of 7.1257%.

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