February 14, 2024

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*	4.32	14
US 2Y*	4.64	17
Germany 10Y	2.39	3
UK 10Y	4.14	9
Japan 10Y	0.73	2

*Source: Bloomberg, *semi-annual*

G-sec yield:

G- Sec	Yield (in %)	1-Day Change in Bps
7.06% GS 2028*	7.08	0
7.18% GS 2033* (10Y)	7.10	1
7.18% GS 2037*	7.15	1
91-day T-bill	7.01	0
182-day T-bill	7.15	0
364-day T-bill	7.11	0

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

Spreads in bps for Corporates

Annualized Spreads	3-year	5-year	7-year	10-year
AAA	89	52	52	45
AA	150	113	117	114
A	340	303	307	306

Source: FIMMDA, as on 12 Feb, 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	8.80
SOFR	5.31

Source: RBI, Federal Reserve Bank of New York

Money Market instruments:

Instrument	Volume (in Rs. Bn)	Weighted Avg Rate (%)
Call Money	91.0	6.74
Triparty Repo	3,390.8	6.71
Market Repo	1,542.1	6.77
Repo in corporate bond	10.0	6.95

Source: RBI, as of 13 Feb, 2024

Major Equity Indices:

Indices	Last	1-Day Change %
BSE SENSEX	71,555	0.7
NIFTY	21,743	0.6
NASDAQ	15,655	-1.8
S&P 500	4,953	-1.4
Nikkei 225	37,646	2.0
Euro Stoxx 50	4,689	-1.2

Source: Google Finance

Commodities futures:

Commodities	Last	1-Day Change %
Brent Crude (USD/bbl)	82.5	0.5
Natural gas Nymex (USD/MMBtu)	1.7	-4.5
Gold Comex (USD/t oz.)	2,004.1	-1.4
Copper Comex (USD/lb)	369.7	-1.2
Wheat cbot (USD/bu.)	593.8	-0.1

Source: Bloomberg

Exchange Rates:

Currency pair	Rate	1-Day Change %
USD/ INR	83.01	0.0
GBP/ INR	104.61	-0.1
EUR/ INR	88.89	-0.4
EUR/USD	1.07	-0.5
DXY Index	104.85	0.6

Source: Morningstar, Bloomberg, Marketwatch

Today's Key Macro Events:

India: WPI Jan'24, VRR auction; **Eurozone:** GDP Q4CY23; **CPI Jan'24:** UK, Russia

News:

International:

US inflation increases more than expected in Jan'24 (Source: Reuters): US CPI increased by 3.1% y/y in Jan'24, after rising by 3.4% y/y in Dec'23, higher than market expectations of 2.9% y/y primarily due to rise in rent. Core CPI rose by 3.9% y/y in Jan'24, matching the rise of Dec'23 and food inflation rose by 2.6% y/y. Notably, transportation services rose by 9.5% y/y while shelter rose by 6% y/y in Jan'24. Treasury Secy. Ms. Yellen has acknowledged the ebbing inflationary pressures and cited that disinflation in rents take time to affect CPI numbers.

Oil demand forecast for CY24 and CY25 upped (Source: OPEC): World oil demand is projected at 104.4 mbpd in CY24, slightly higher than previously estimated 104.36 mbpd on the back of improving economic forecast. Oil demand for CY25 is projected at 106.25 mbpd, just above previously estimated 106.21 mbpd. Notably, OPEC countries only partially delivered new production cuts as pledged with some countries still significantly above quota.

ECB official ponders over rate cut timing (Source: ForexLive): Mr. Lane is optimistic about downward trend in inflation, reiterating aim of bringing it to 2% target. He highlighted the risks of being too early or too late in cutting rates, while stating that the quantum of cuts depend on the path of inflation.

German business conditions worsen, but future outlook improves (Source: ZEW): Index for assessment of economic situation in Germany fell significantly to -81.7 in Feb'24, from -77.3 in Jan'24, its lowest levels since Jun'20. However, the index for economic sentiment increased to 19.9 in Feb'24, from 15.2 in Jan'24.

Domestic:

India signs investment treaty with UAE (Source: ET): India signed a Bilateral Investments Treaty (BIT) with UAE with the view of improving investor confidence resulting in the rise in foreign investments and overseas direct investments along with employment generation.

Union announces scheme of Rs. 750 bn to provide free electricity (Source: FE): The Union announced the launch of PM 'Surya Ghar: Muft Bijli Yojana' with an investment of Rs. 750 bn for installing solar rooftops for 10 mn households and providing 300 units of free electricity per month by providing subsidies directly into people's accounts.

Auto sales signal robust start to CY24 (Source: FADA): Retail auto sales grew by 15% y/y in Jan'24 to 2.13 mn units, with all categories displaying growth. PV sales grew by 13% y/y to achieve record high monthly sales of 393k in Jan'24, while 2W grew at 15% y/y, 3W at 37% y/y and tractors rebounded to 21% y/y owing to good harvest and marriage season. Notably, CV grew by modest 0.1% y/y due to high base effects and demand taper.

States' capex soars in 9MFY24 (Source: FE): Capex by top 19 states rose by 40% y/y in 9MFY24, reporting Rs. 4.14 trn in investments, backed by Rs. 615 bn in long-term loan by Union for asset creation, with UP being the biggest investor at Rs. 690 bn, followed by Madhya Pradesh (Rs. 383 bn) and Gujarat (Rs. 325 bn), while revenue spending growth remains subdued at 9% y/y. The revenues of these 19 states grew by 14% y/y to Rs. 19.87 trn while borrowing rose by 34% y/y to Rs. 5.1 trn.

Union considers component-linked incentive scheme for electronics (Source: FE): According to media sources, the Union is now working on component-linked incentive scheme to promote the production of electronic components besides semiconductors to keep in check the trade deficit in electronics and improve domestic value addition.

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Coal imports surge in Dec'23 (Source: BS): Coal imports rose by 27.2% y/y in Dec'23 to 23.35 mn tonnes from 18.35 mn tonnes in Dec'22, with coking coal imports of 15.48 mn tonnes and 4.84 mn tonnes of non-coking coal. In 9MFY24, coal imports rose to 192.43 mn tonnes from 191.82 mn tonnes in 9MFY23, with coking coal imports at 42.81 mn tonnes and 124.37 mn tonnes of non-coking coal.

Bihar presents Rs. 2.79 trn Budget for FY25 (Source: ET): Highlights:

- Revenue receipts are expected to grow by 6.8% to Rs. 2.27 trn (FY25BE over FY24BE). Tax revenues will show more buoyancy, growing by 9.8% (FY25BE vs. FY24BE), helped by significant increase in the share of Central taxes
- Against this, total expenditure is expected to chime in at Rs. 2.79 trn, of which revenue expenditure is Rs. 2.26 trn and capital expenditure is Rs. 530 bn in FY25BE. Revenue expenditure is expected to show a steady growth of 8.6% (FY25BE vs. FY24BE) as share of interest payments increases. Capital expenditure may decrease to Rs. 530 bn. Rs. 152 bn has been proposed as expenditure for the Roads Sector
- Based on this, fiscal deficit for FY25BE is likely to come in at Rs. 291 bn, which is 2.98% of nominal GSDP (unchanged from FY24BE). This is within the FRBM limit of 3.0%
- Nominal GSDP is expected to surge to Rs. 9.77 trn in FY25BE, which is 13.7% up from FY24BE

SGS auctions conducted successfully (Source: RBI): SGS worth Rs. 185 bn were auctioned by 9 states against a notified amount of Rs. 175 bn with cut-off yields ranging between 7.42% and 7.49%. Additional amount of Rs. 10 bn was accepted by West Bengal.

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Details of Research Analysts

Name	Rajan Jain	Name	Siddharth Sarma
Qualification	PGDBA	Qualification	MBA
Designation	Head- Credit Research	Designation	Associate

Details of Research Analyst entity

Name	SBI Capital Markets Limited
Registration Number	INH000007429
Address	15th floor, A & B Wing, Parinee Crescenzo Building, G Block, Bandra Kurla Complex, Bandra East, Mumbai- 400 051
Telephone Number	+91 22 4196 8300
Compliance Officer	Bhaskar Chakraborty
Email id	compliance.officer@sbicaps.com
Telephone Number	+91 22 4196 8542

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