

Tables:

Foreign G-Sec Bond Yield:

| G-sec | Yield (in %) | 1-Day Change in Bps |
|-------------|--------------|---------------------|
| US 10Y* | 4.02 | 13 |
| US 2Y* | 4.36 | 15 |
| Germany 10Y | 2.24 | 10 |
| UK 10Y | 3.91 | 17 |
| Japan 10Y | 0.66 | -1 |

Source: Bloomberg, *semi-annual

G-sec yield:

| G- Sec | Yield (in %) | 1-Day Change in Bps |
|----------------------|--------------|---------------------|
| 7.06% GS 2028* | 6.98 | -1 |
| 7.18% GS 2033* (10Y) | 7.06 | 0 |
| 7.18% GS 2037* | 7.10 | -2 |
| 91-day T-bill | 7.04 | 0 |
| 182-day T-bill | 7.18 | 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 | 104 | 67 | 100 | 69 |
| AA | 165 | 128 | 165 | 138 |
| A | 355 | 318 | 355 | 330 |

Source: FIMMDA, as on 1 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 | 5.32 |

Source: RBI, Federal Reserve Bank of New York

Money Market instruments (Term Segment):

| Instrument | Volume (in Rs. Bn) | Weighted Avg Rate (%) |
|------------------------|--------------------|-----------------------|
| Notice Money | 99.0 | 6.56 |
| Term Money | 4.8 | - |
| Triparty Repo | 3,312.3 | 6.32 |
| Market Repo | 1,810.0 | 6.49 |
| Repo in corporate bond | 0.0 | NA |

Source: RBI, as of 01 Feb, 2024

Major Equity Indices:

| Indices | Last | 1-Day Change % |
|---------------|--------|----------------|
| BSE SENSEX | 72,086 | 0.6 |
| NIFTY | 21,854 | 0.7 |
| NASDAQ | 15,629 | 1.7 |
| S&P 500 | 4,959 | 1.1 |
| Nikkei 225 | 36,158 | 0.4 |
| Euro Stoxx 50 | 4,655 | 0.4 |

Source: Google Finance

Commodities futures:

| Commodities | Last | 1-Day Change % |
|-------------------------------|---------|----------------|
| Brent Crude (USD/bbl) | 77.3 | -2.5 |
| Natural gas Nymex (USD/MMBtu) | 2.1 | 0.5 |
| Gold Comex (USD/t oz.) | 2,054.0 | -0.8 |
| Copper Comex (USD/lb) | 382.2 | -0.8 |
| Wheat cbot (USD/bu.) | 599.8 | -0.7 |

Source: Bloomberg

Exchange Rates:

| Currency pair | Rate | 1-Day Change % |
|---------------|--------|----------------|
| USD/ INR | 82.92 | -0.1 |
| GBP/ INR | 104.80 | -0.9 |
| EUR/ INR | 89.46 | -0.8 |
| EUR/USD | 1.08 | -0.7 |
| DXI Index | 103.96 | 0.9 |

Source: Morningstar, Bloomberg, Marketwatch

Today's Key Macro Events:

Services PMI Jan'24: India, Global, US, China; Germany: Trade balance Dec'23

News:

International:

US labour market remains strong (Source: CNBC, Reuters): US non-farm payrolls increased by 353k in Jan'24, after rising by 333k in Dec'23, higher than market expectations of 187k. Gains were seen across 2/3rd of the industries, largely led by healthcare and retail trade. Average hourly earnings were up 0.6% m/m and at 4.5% on a y/y basis. Further, unemployment rate stood unchanged at 3.7%.

No rush to cut rates, need to confirm inflation trend (Source: CNBC, Bloomberg):

- Fed Chair Mr. Powell said that the Central Bank will proceed carefully with interest rate cuts this year, and it would be based on inflation data. He further ruled out chances of a rate cut in Mar'24
- Fed member Mr. Goolsbee said that he wants to see more evidence the Fed is on track toward its 2% inflation goal before cutting interest rates, though he stopped short of ruling out a reduction in Mar'24

Uptick in demand boosts services activity in Asia (Source: S&P Global):

- China services PMI stood at 52.7 in Jan'24, marginally lower than 5-month high of 52.9 recorded in Dec'23, with firm demand conditions boosting upturn in sales. This buoyed composite PMI to 52.5 in Jan'24
- Japan's services PMI recorded a solid expansion at 53.1 in Jan'24 from 51.5 in Dec'23 amidst sustained increase in customer demand indicated by steeper new order growth and rise in international demand

New China property financing measures set to be tested by banks' cautious approach (Source: Reuters): Governments of 35 Chinese cities are preparing to suggest residential projects to banks for financial assistance through the "project whitelist" system. However, banks may hesitate to offer new credit to struggling real estate firms due to concerns about its effect on their asset quality, potentially impeding the initiative.

World food price index falls near 3-year lows in Jan'24 (Source: FAO, Reuters): The FAO price index, averaged 118.0 points in Jan'24, down from 119.1 in Dec'23. This was driven by decline in meat and cereal prices. Further, wheat export prices saw a decline due to strong competition among exporters and the arrival of recently harvested supplies in the southern hemisphere countries.

Domestic:

Union announces hike in windfall taxes (Source: CNBC): Union raised the windfall tax on crude oil to Rs. 3,200 per tonne from Rs. 1,700 per tonne. The hike will be effective from 03 Feb'24. The export tax on petrol, diesel, and aviation turbine fuel remains nil.

Jan'24 FPIs investment in debt market at over 6-year high (Source: FE): FPIs have injected over Rs 198 bn in the debt market in Jan'24 (Dec'23: Rs. 183 bn), making it the highest monthly inflow in more than 6 years, on the back of inclusion of Indian government bonds in the JP Morgan Index.

Railways freight loading achieves robust growth in Jan'24 (Source: PIB): Originating freight loading of 142.7 mn tonnes was achieved in Jan'24, higher 6.5% y/y, with revenue of Rs. 155.1 bn showing improvement of 4.1% y/y. In 10MFY24, freight loading achieved 1243.5 mn tonnes, growing by 4.5% y/y.

FY24 asset monetisation may fall short of target (Source: BS): According to media sources, the Union government and CPSEs are estimated to monetise assets worth Rs 1.50 trn in FY24, a tad lower than the targeted of Rs 1.75 trn. Further, the aggregate monetisation potential of the central government's brownfield infrastructure assets has been estimated at Rs 6 trn over FY22-FY25.

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SBICAPS Daily Digest

Union mulling expanding PLI scheme with surplus outlay (Source: The Hindu Businessline): Union has over Rs. 400 bn surplus from the PLI scheme outlay of Rs. 1.97 trn announced for the 14 beneficiary sectors. It may use the surplus for expanding the scheme to additional sectors depending on the efficacy and usefulness of such an expansion.

MNRE issues guidelines for pilot projects implementing green hydrogen in steel sector and shipping (Source: PIB, CNBC):

- Pilot projects in the steel sector have identified three thrust areas: utilization of hydrogen in direct reduced ironmaking process, integration of hydrogen in blast furnaces, and gradual replacement of fossil fuels with green hydrogen. Additionally, the scheme will back pilot initiatives exploring innovative applications of hydrogen to reduce carbon emissions in iron and steel production.
- For shipping, two areas have been identified as thrust areas: retrofitting of existing ships to enable them to run green hydrogen and development of bunkering and refuelling facilities in ports on international shipping lanes for fuels based on green hydrogen

G-Sec and VRRR auctions conducted successfully (Source: RBI)

- 7.32% GS 2030 worth Rs. 120 bn were auctioned, against a notified amount of Rs. 120 bn, at a cut-off yield of 6.9883%. 7.18% GS 2037 worth Rs. 100 bn were auctioned, against a notified amount of Rs. 100 bn, at a cut-off yield of 7.0749%. 7.25% GS 2063 worth Rs. 120 bn were auctioned, against a notified amount of Rs. 120 bn, at a cut-off yield of 7.1475%. 7.37% GOI SGrB 2054 worth Rs. 50 bn were auctioned, against a notified amount of Rs. 50 bn, at a cut-off yield of 7.1387%.
- 4-day VRRR worth Rs. 39.75 bn were auctioned, against a notified amount of Rs. 500 bn and bid received of Rs. 39.75 bn, at cut-off rate of 6.49%.

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