

Tables:

Foreign G-Sec Bond Yield:

G-sec	Yield (in %)	1-Day Change in Bps
US 10Y*	4.13	11
US 2Y*	4.44	8
Germany 10Y	2.31	7
UK 10Y	4.00	9
Japan 10Y	0.71	5

Source: Bloomberg, *semi-annual

G-sec yield:

G- Sec	Yield (in %)	1-Day Change in Bps
7.06% GS 2028*	7.04	6
7.18% GS 2033* (10Y)	7.09	3
7.18% GS 2037*	7.13	3
91-day T-bill	7.04	0
182-day T-bill	7.18	0
364-day T-bill	7.15	0

Source: CCLL, RBI, *semi-annual

Spreads in bps for Corporates

Annualized Spreads	3-year	5-year	7-year	10-year
AAA	80	66	40	56
AA	141	127	105	125
A	331	317	295	317

Source: FIMMDA, as on 02 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 (%)
Call Money	110.5	6.47
Triparty Repo	3249.3	6.28
Market Repo	1798.9	6.40
Repo in corporate bond	5.7	6.80

Source: RBI, as of 05 Feb, 2024

Major Equity Indices:

Indices	Last	1-Day Change %
BSE SENSEX	71,731	-0.5
NIFTY	21,772	-0.4
NASDAQ	15,598	-0.2
S&P 500	4,943	-0.3
Nikkei 225	36,354	0.5
Euro Stoxx 50	4,655	0.0

Source: Google Finance

Commodities futures:

Commodities	Last	1-Day Change %
Brent Crude (USD/bbl)	78.2	1.1
Natural gas Nymex (USD/MMBtu)	2.1	-0.5
Gold Comex (USD/t oz.)	2,025.7	-1.4
Copper Comex (USD/lb)	378.2	-1.1
Wheat cbot (USD/bu.)	592.0	-1.3

Source: Bloomberg

Exchange Rates:

Currency pair	Rate	1-Day Change %
USD/ INR	83.06	0.2
GBP/ INR	104.17	-0.6
EUR/ INR	89.15	-0.3
EUR/USD	1.07	-0.5
DXY Index	104.40	0.4

Source: Morningstar, Bloomberg, Marketwatch

Today's Key Macro Events:

India: SGS Auction, VRRR Auction, **Eurozone:** Retail Sales Dec'23; **Australia:** Policy Rate; **US:** EIA STEO Feb'24

News:

International:

Global growth outlook raised (Source: OECD): As per Feb'24 Interim Report:

- The world is expected to grow at 2.9% y/y in CY24 (up 0.2pp from prev. forecast), with CY25 forecast unchanged at 3.0%
- This is helped by the improved US growth, expected at 2.1% in CY24 (prev. forecast: 1.5%) and 1.7% in CY25, as lower inflation boosts wage growth and triggers interest rate cuts
- The estimate for China is left unchanged at 4.7% in CY24 and 4.2% in CY25 as it continues to contend with real estate market troubles and weak consumer confidence
- India's real GDP is expected to grow at 6.2% y/y (up 0.1pp from previous forecast) in FY25 and 6.5% y/y in FY26 (unchanged)

Services activity remained expansionary in Jan'24 (Source: Reuters):

- Global services PMI rose to a 6-month high of 52.3 in Jan'24 from 51.6 in Dec'23, supported by improved new work and new export business with easing price pressures. Global composite PMI rose to 51.8 in Jan'24 from 51 in Dec'23 driven by faster growth in output and new orders
- US services PMI recorded 52.5 in Jan'24, up from 51.4 in Jan'23. Composite PMI came in at 52.0 in Jan'24 from 50.9 in Dec'23
- Eurozone services PMI edged downwards to 48.4 in Jan'24, from 48.8 in Dec'23. Eurozone composite PMI rose to 6-month high of 47.9 in Jan'24, from 47.6 in Dec'23

US Fed officials want to gauge data before rate cuts (Source: Bloomberg):

- Mr. Kashkari mentioned that Fed has time to gauge incoming data before lowering interest rates, pointing to shifts in the post-pandemic economy
- Mr. Goolsbee mentioned Mar'24 cut is unlikely, but he also commented that he does not want to rule out Mar'24 cut and tie Fed's hand
- Mr. Bostic said that the strength of the labour market is bringing wage growth into more normal patterns

US banks see loan demand rising in CY24 (Source: Reuters): As per Fed survey, US banks anticipate an increase in demand for loans as interest rates fall this year, even as they further tighten credit standards on some types of loans. Banks cited deterioration in collateral values and a less favorable economic outlook as reasons to tighten standards on commercial real estate, credit card and auto loans.

German trade surplus grows in Dec'23 (Source: Bloomberg): The German trade surplus widened from EUR 20.7 bn to EUR 22.2 bn in Dec'23 (forecast: 18.8 bn). Compared with CY22, exports were down by 1.4% y/y in CY23, while imports slumped by 9.7% y/y.

China tightens trading restrictions (Source: Mint): As per media reports, China is tightening trading restrictions on domestic institutional investors as well as some offshore units to stem a deepening stock rout.

Australia holds interest rate steady (Source: 9News): Reserve Bank of Australia decided to keep the Official Cash Rate (OCR) unadjusted at 4.35% after its Feb'24 monetary policy meeting showing that inflation is decreasing faster than expected.

Domestic:

Services PMI rises to 6-month high in Jan'24 (Source: ET): Services PMI rose to 61.8 in Jan'24 from 59 in Dec'24, the sharpest rate of expansion in 6 months. It is propelled by increased demand, improved productivity, and a rise in the intake of new projects. It also showed a notable upturn in new export orders.

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Union seeks nod for additional spending (Source: BS): The Union sought Parliament's nod for a net additional spending of Rs. 787 bn in FY24, including Rs. 108 bn expenditure towards MGNREGA. It also provides for additional spending of Rs. 92 bn and Rs. 30 bn towards food and fertiliser subsidy, respectively.

Overall coal production rises to 100 mn tonnes in Jan'24 (Source: PIB): The overall coal production during Jan'24 grew by 10.3% y/y to reach 99.73 mn tonnes from 90.42 mn tonnes in Jan'23. The Cumulative Coal Production for 10MFY24 rose to 784.11 mn tonnes as compared to 698.99 mn tonnes during 10MFY23 a growth of 12.18% y/y, while coal dispatch stood at 797.66 mn tonnes from 719.78 mn tonnes.

Union releases loan to 28 states for investment in Apr'23-Jan'24 (Source: BS): Union has released loans worth Rs. 667 bn to 28 states under the Scheme for Special Assistance to States for Capital Investment. The assistance is being provided to in the form of a 50-year interest-free loan up to an overall sum of Rs 1.3 trn during the FY24. In FY23, Rs. 812 bn was released under the scheme.

UP presents Rs. 7.36 trn Budget for FY25 (Source: Government of UP): Highlights:

- Total receipts (FY25BE) are set to clock Rs. 7.21 trn, of which revenue receipts will be Rs. 6.07 trn (FY24RE = Rs. 5.25 trn), and capital receipts will be Rs. 1.14 trn (FY24RE = Rs. 1.02 trn). Notably, the state's own tax revenue is Budgeted at Rs. 2.70 trn for FY25
- Revenue expenditure will stand at Rs. 5.33 trn in FY25BE, up from FY24RE of Rs. 4.55 trn. An amount of Rs. 24 bn has been proposed for providing electricity at concessional rates for operating tube wells for farmers. Rs. 73.5 bn has been set aside for National Rural Health Mission
- Capital expenditure is Budgeted in FY25 at Rs. 2.04 trn (FY24RE = Rs. 1.78 trn). Capital outlay will be at Rs. 1.55 trn in FY25BE (Rs. 1.46 trn in FY24RE). Rs. 11.5 bn has been proposed for NOIDA airport, Rs. 1.5 bn for Ayodhya airport. Rs. 5 bn has been allocated to Lucknow-Agra and Purvanchal linkage
- Fiscal deficit is posited to be at 3.46%, which is within the FRBM limit of 3.5%

Kerala presents Budget for FY25 (Source: Government of Kerala): Highlights:

- Revenue receipts are expected to surge to Rs. 1.39 trn in FY25BE (FY24RE = Rs. 1.27 trn), with growth being seen in state's own revenues as well as Union's transfers. Notably, Kerala government has raised the excise duty on liquor by Rs. 10/L to enrich its coffers. Further, a land tax may be levied from apartment dwellers
- Total expenditure is set to rise to Rs. 1.84 trn in FY25BE (FY24RE = Rs. 1.68 trn), with revenue expenditure standing at Rs. 1.67 trn. Pension burden will continue to rise, clocking Rs. 286 bn in FY25BE. The finance minister said the NPS would be reviewed, and a revised scheme would be employed for the state's pensioners
- Capital expenditure will see a modest rise to Rs. 178 bn in FY25BE. Thrust areas will be short term tourism projects, allied activities around Vizhinjam seaport, and Cochin Ports. The government told it will explore innovative structures such as InvITs
- Internal market loans are expected to reach Rs. 2.62 trn in FY25BE from Rs. 2.29 trn in FY24RE. This will be needed to pug a fiscal deficit of Rs. 445 bn in FY25BE, which is 3.40% of GSDP
- A nominal GSDP growth of 11.7% y/y has been projected for FY25BE (over FY24RE)

Union proposes Rs. 1.18 trn interim budget for J&K for FY25 (Source: ET): Capital expenditure for the fiscal has been proposed at Rs. 386 bn, which is 14.64% of the GSDP. Revenue receipts for the next fiscal will stand at Rs. 978 bn leaving fiscal deficit of Rs. 208 bn.

VRRR auctions concluded successfully (Source: RBI): 4-day VRRR worth Rs. 187.5 bn was conducted against a notified amount of Rs. 500 bn, at a cut-off yield of 6.49%

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