February 8, 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*	4.10	2
US 2Y*	4.41	2
Germany 10Y	2.31	2
UK 10Y	3.98	4
Japan 10Y	0.70	-1

*Source: Bloomberg, *semi-annual*

G-sec yield:

G- Sec	Yield (in %)	1-Day Change in Bps
7.06% GS 2028*	7.03	-1
7.18% GS 2033* (10Y)	7.07	-2
7.18% GS 2037*	7.10	-2
91-day T-bill	7.01	-3
182-day T-bill	7.15	-3
364-day T-bill	7.11	-4

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

Spreads in bps for Corporates

Annualized Spreads	3-year	5-year	7-year	10-year
AAA	67	61	81	48
AA	128	122	146	117
A	318	312	336	309

Source: FIMMDA, as on 06 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	121.6	6.48
Triparty Repo	3,056.9	6.39
Market Repo	1,664.8	6.46
Repo in corporate bond	5.85	6.74

Source: RBI, as of 07 Feb, 2024

Major Equity Indices:

Indices	Last	1-Day Change %
BSE SENSEX	72,152	0.0
NIFTY	21,930	0.0
NASDAQ	15,757	0.9
S&P 500	4,995	0.8
Nikkei 225	36,120	-0.1
Euro Stoxx 50	4,679	-0.3

Source: Google Finance

Commodities futures:

Commodities	Last	1-Day Change %
Brent Crude (USD/bbl)	79.6	1.2
Natural gas Nymex (USD/MMBtu)	2.0	-2.0
Gold Comex (USD/t oz.)	2,051.5	0.0
Copper Comex (USD/lb)	375.2	-0.9
Wheat cbot (USD/bu.)	599.3	0.8

Source: Bloomberg

Exchange Rates:

Currency pair	Rate	1-Day Change %
USD/ INR	82.97	-0.1
GBP/ INR	104.83	0.2
EUR/ INR	89.39	0.1
EUR/USD	1.08	0.2
DXY Index	103.99	-0.1

Source: Morningstar, Bloomberg, Marketwatch

Today's Key Macro Events:

India: Policy rate; **CPI Jan'24:** China, Brazil; **US**: Initial Jobless Claims, Wholesale trade Dec'23, WASDE report Feb'24

News:

International:

US policymakers divided on timing of rate cuts (Source: Reuters):

- Mr. Kashkari opined that monetary policy is not putting downward pressure on demand, and that 2-3 cuts shall be appropriate as the economy seems resilient and strong
- Ms. Kugler said that while progress has been made on inflation, the job Fed is not yet done and it is apt to hold rates for longer, reiterated by Mr. Barkin that it may make sense to be patient on rate cuts
- Ms. Collins said that rate cuts could come later this year, as Fed gradually provides flexibility to manage risks, while promoting stable prices and maximum employment

US overall trade deficit narrowed in CY23 by most since CY09 (Source: Bloomberg): Trade deficit printed USD 62.2 bn in Dec'23, in line with expectations, against USD 63.2 bn in Nov'23. Exports and imports grew by 1.8% m/m and 1.1% m/m respectively. Gap with China narrowed while that with Mexico grew to record highs. On an annual basis, deficit fell by 19% y/y from CY22 to USD 773.4 bn in CY23.

China's consumer prices drop at the fastest pace since CY09 (Source: CNBC): CPI fell by 0.8% y/y in Jan'24, against expectations of 0.5% fall (Dec'23: -0.3%) amid persistent deflationary pressures as the economy struggles to spur domestic demand and consumer confidence. Additionally, PPI fell by 2.5% y/y in Jan'24, against expectations of 2.6% decline.

Russia's GDP grows on account of military spending (Source: Reuters): Russia's real GDP rebounded to grow by 5.1% y/y in Q3CY23, against previous print of 4.9%, but the growth relies heavily on state-funded arms and ammunition production and masks problems that are hampering an improvement in Russians' living standards.

Domestic:

Union eyes investment deal with European Free Trade Association (EFTA) (Source: Bloomberg): As per media sources**,** Union is close to finalising a USD 100 bn investment deal, set to be in force over 15 years, with Norway, Iceland, Liechtenstein, and Switzerland, in exchange for free trade agreement to access the Indian markets. The investments would be aimed at manufacturing projects and some agricultural projects.

UAE wealth fund plans investments via GIFT City (Source: BS): As per media sources, Abu Dhabi Investment Authority is setting up USD 4-5 bn fund to invest through GIFT city and has received approval from regulators. This makes it the first sovereign wealth fund to set up shop in GIFT City and its investments could begin by mid of CY24.

EPFO mulls to reinvest ETF redemption proceeds in equity markets (Source: BS): EPFO, wanting to enhance its equity exposure and earn higher returns, is considering reinvesting 50% of ETF redemptions back into equities. Additionally, redemption period for ETFs is being mulled to be increased from 4 to 7 years, and the trustees are considering allowing investments into REITs and InvITs up to 3% of the EPFO's corpus. This is as per media sources.

Union working on policy mechanism to promote use of Green Hydrogen (Source: PIB): Ministry of New and Renewable Energy is working on the modalities for promoting the use of green hydrogen in supporting round-the-clock electricity, especially during peak demand. The policy mechanisms being considered includes Contract for Difference (CfD) methodology, which is based on the difference between the market price and an agreed strike price.

Contd…

Domestic oil demand to drive global oil demand in CY27: IEA (Source: BS): IEA predicts that India will overtake China as the biggest driver of global oil demand in CY27. Oil demand would rise from 5.48 mbpd in CY23 to 6.64 mbpd in CY30.

Union to set up task force to resolve non-tariff barriers (Source: BS): As informed by Commerce Minister Mr. Goyal to the Parliament, Union is in the process to set up a task force under Department of Commerce to identify, categorise and develop tailored strategies for the resolution of non-tariff barriers like prior registration requirements, cumbersome testing and certification, etc.

Andhra Pradesh presents Interim Budget FY25 (Source: Government of Andhra Pradesh, The Hindu): Highlights:

- Revenue receipts are expected to expand by 4.4% in FY25BE to Rs. 2.05 trn vis-à-vis Rs. 1.97 trn in FY24RE. Increases will be driven by incremental tax revenue even as grants-in-aid diminish
- Total expenditure is set to increase by 4.03% to Rs. 2.86 trn in FY25BE vs. FY24RE. Revenue expenditure will increase by 0.87% and continues to form a major component. Capital expenditure is set to surge by 11.72% to Rs. 305 bn
- Fiscal deficit will be Rs. 558.17 bn in FY25BE, which is 3.51% of GSDP, lower as compared to 4.18% of GSDP in FY24RE. Further, revenue deficit for FY25BE is seen at Rs. 247.58 bn
- Nominal GSDP is expected to grow 10.5% y/y to Rs. 15.9 trn in FY25BE

T-bill and VRRR auctions conducted successfully (Source: RBI):

- 91-day T-Bills worth Rs. 96 bn were auctioned against a notified amount of Rs. 80 bn, at a cut-off yield of 7.0147%. 182-day T-Bills worth Rs. 105 bn were auctioned against a notified amount of Rs. 100 bn, at cut-off yield of 7.1501%. 364-day T-Bills worth Rs. 96 bn were auctioned against a notified amount of Rs. 90 bn, at a cut-off yield of 7.1138%
- 1-day VRRR worth Rs. 500 bn was auctioned against notified amounts of Rs. 500 bn and Rs. 960.9 bn offers received, at cut-off rate of 6.49%
- A second 1-day VRRR worth Rs. 118.3 bn was auctioned against a notified amount of Rs. 500 bn at cut-off rate of 6.49%

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