

Tables:

Foreign G-Sec Bond Yield:

G-sec	Yield (in %)	1-Day Change in Bps
US 10Y*	4.26	2
US 2Y*	4.46	-5
Germany 10Y	2.43	-6
UK 10Y	4.12	-4
Japan 10Y	1.06	1

Source: Bloomberg, *semi-annual

G-sec yield:

G- Sec	Yield (in %)	1-Day Change in Bps
7.37% GS 2028*	6.91	-1
7.10% GS 2034* (10Y)	6.97	0
7.18% GS 2037*	7.01	-1
91-day T-bill	6.74	0
182-day T-bill	6.85	0
364-day T-bill	6.87	0

Source: CCL, RBI, *semi-annual

Spreads in bps for Corporates

Annualized Spreads	3-year	5-year	7-year	10-year
AAA	83	74	96	59
AA	150	142	168	138
A	336	327	360	339

Source: FIMMDA, as on 22 Jul, 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	8.85
SOFR	5.33

Source: RBI, Federal Reserve Bank of New York

Money Market instruments:

Instrument	Volume (in Rs. Bn)	Weighted Avg Rate (%)
Call Money	106.6	6.67
Triparty Repo	4,193.4	6.67
Market Repo	1,679.1	6.64
Repo in corporate bond	11.7	6.92

Source: RBI, as of 23 Jul, 2024

Major Equity Indices:

Indices	Last	1-Day Change %
BSE SENSEX	80,429	-0.1
NIFTY	24,479	-0.1
NASDAQ	17,997	-0.1
S&P 500	5,556	-0.2
Nikkei 225	39,594	0.0
Euro Stoxx 50	4,917	0.4

Source: Google Finance

Commodities futures:

Commodities	Last	1-Day Change %
Brent Crude (USD/bbl)	81.3	-1.5
Natural gas Nymex (USD/MMBtu)	2.1	-4.5
Gold Comex (USD/t oz.)	2,462.7	0.5
Copper Comex (USD/lb)	415.8	-0.9
Wheat cbot (USD/bu.)	540.3	-1.3

Source: Bloomberg

Exchange Rates:

Currency pair	Rate	1-Day Change %
USD/ INR	83.70	0.0
GBP/ INR	107.88	-0.2
EUR/ INR	90.69	-0.4
EUR/USD	1.08	-0.4
DX Index	104.52	0.3

Source: Morningstar, Bloomberg, Marketwatch

Today's Key Macro Events:

India: T-bill auction, VRRR Auction; **Flash PMI Jul'24:** India, US, Eurozone, Japan; **US:** Goods Trade Balance Jun'24, Building Permits, New Home Sales Jun'24

News:

Domestic:**Union to focus on fiscal prudence: Budget FY25 (Source: Union Budget):**

- The fiscal deficit target for FY25 stands reduced to 4.9% of GDP (down from 5.1% in the Interim Budget), with net borrowings slightly decreased
- Gross tax revenues are estimated to grow at ~10% y/y to Rs. 38.3 trn primarily owing to higher income tax collections. Non-tax revenues estimates have been taken sharply upwards to Rs. 5.45 trn in FY25BE vs. Rs. 4.0 trn in FY25BE (Interim), buttressed on dividends and profits nearly doubling to Rs. 2.9 trn in FY25BE vs. Interim
- Total expenditure for FY25BE is projected at Rs. 48.2 trn, an 8.5% y/y increase. Capital expenditure remains unchanged from the interim budget at Rs. 11.1 trn, significantly higher than Rs. 9.48 trn in FY24P, while revenue expenditure is increased to Rs. 37.1 trn
- Gross Union borrowing is cut by Rs. 120 bn [vs. Interim] to Rs. 14.01 trn. Net borrowing for FY25BE is set at Rs. 11.63 trn [Interim: Rs. 11.75 trn], representing a slight decline

Union Budget revamps taxation, changes duties (Source: Union Budget):

- LTCCG on financial and non-financial assets will now be taxed at 12.5% (up from 10%), including listed equity shares, equity-oriented funds, and business trusts. LTCCG on property sales and gold is reduced from 20% to 12.5%, but the indexation benefit is removed
- STCCG on certain financial assets are increased from 15% to 20%. Income from share buybacks will be taxed as dividends for investors.
- Customs duties on precious metals like gold and silver have been reduced to 6%. BCD on mobiles, certain electronics inputs, and some base metals has been cut. The list of duty-exempt capital goods for solar cell and module manufacturing will be expanded, and customs duties on 25 critical minerals have been fully removed

For more details, please read our detailed report on the Union Interim Budget, titled "BROAD-BASING DEVELOPMENT AND A NOD TO STABILITY"

SGS auctions conducted successfully (Source: RBI): SGS worth Rs. 121 bn were auctioned against a notified amount of Rs. 121 bn, by 7 states with cut-off yields ranging between 7.33% - 7.36%. Notably, 10Y yields ranged between 7.34% - 7.36%.

International:

Japan services activity rebounds while manufacturing shrinks in Jul'24 (Source: S&P Global): Services flash PMI for Jul'24 rebound to 53.9 from contraction witnessed in Jun'24, led by higher output and new orders. Manufacturing activity, on the other hand, contracted with flash PMI at 49.7, led by a decline in new orders. Overall, the composite business activity returned to growth with PMI at 52.6.

Global steel production slides in Jun'24 (Source: GMK): Global steel production fell 2.2% m/m in Jun'24 to 161.4 mn tonnes, rising by a measly 0.5% y/y. China's production rose 0.2% y/y to 91.6 mn tonnes while India's production surged 6% y/y to 12.3 mn tonnes.

ECB official confident about Sep'24 decision (Source: ForexLive): Mr. de Guindos remarked that current levels of uncertainty would reduce by Sep'24 as wage developments are being closely monitored.

Monetary policy decisions of key global Central Banks divulge (Source: Bloomberg): Turkey kept its policy rate unchanged at 50%, while Hungary cut rates by 25 bps to 6.75%. Nigeria, on the other hand, raised rates by 50 bps to 26.75% in a bid to tackle inflation.

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