

Tables:

Foreign G-Sec Bond Yield:

G-sec	Yield (in %)	1-Day Change in Bps
US 10Y*	4.66	-12
US 2Y*	4.27	-9
Germany 10Y	2.56	-9
UK 10Y	4.73	-16
Japan 10Y	1.23	1

Source: Bloomberg, *semi-annual

G-sec yield:

G- Sec	Yield (in %)	1-Day Change in Bps
7.04% GS 2029*	6.77	0
6.79% GS 2034* (10Y)	6.81	-1
7.23% GS 2039*	6.94	-1
1-Month T-bill	6.41	-10
3-Month T-bill	6.60	1
6-Month T-bill	6.69	1
12-Month T-bill	6.69	0

Source: CCL, Bloomberg, *semi-annual

Spreads in bps for Corporates

Annualized Spreads	3-year	5-year	7-year	10-year
AAA	100	43	46	57
AA	176	131	133	142
A	366	320	328	345

Source: FIMMDA, as on 14 Jan, 2025

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	9.00
SOFR	4.28

Source: RBI, Federal Reserve Bank of New York

Money Market instruments:

Instrument	Volume (in Rs. Bn)	Weighted Avg Rate (%)
Call Money	112.8	6.45
Triparty Repo	3,759.9	6.37
Market Repo	1,579.3	6.40
Repo in corporate bond	18.1	6.57

Source: RBI, as of 15 Jan, 2025

Major Equity Indices:

Indices	Last	1-Day Change %
BSE SENSEX	76,724	0.3
NIFTY	23,213	0.2
NASDAQ	19,511	2.5
S&P 500	5,949	1.8
Nikkei 225	38,444	-0.1
Euro Stoxx 50	5,032	1.0

Source: Google Finance

Commodities futures:

Commodities	Last	1-Day Change %
Brent Crude (USD/bbl)	82.1	2.8
Natural gas Nymex (USD/MMBtu)	4.1	3.8
Gold Comex (USD/t oz.)	2,726.2	1.4
Copper Comex (USD/lb)	441.7	2.0
Wheat cbot (USD/bu.)	544.8	0.0

Source: Bloomberg

Exchange Rates:

Currency pair	Rate	1-Day Change %
USD/ INR	86.36	-0.3
GBP/ INR	105.66	0.1
EUR/ INR	88.84	-0.3
EUR/USD	1.03	-0.1
DX Index	109.06	-0.2

Source: Morningstar, Bloomberg, Marketwatch

Today's Key Macro Events:

US: Retail Sales Dec'24; S. Korea: Policy rate; Japan: PPI Dec'24

News:

Domestic:

Merchandise trade deficit widens on-year in Dec'24 (Source: PIB):

- Merchandise exports declined by 1.0% y/y at USD 38 bn in Dec'24 amid ongoing geopolitical tensions, while merchandise imports grew by 4.8% y/y to USD 59.9 bn as gold imports remained high at USD 4.7 bn
- Merchandise trade deficit widened to USD 21.9 bn in Dec'24, from USD 18.7 bn in Dec'23
- Services exports grew by 3.2% y/y to USD 32.7 bn, while imports grew faster at 11.9% to USD 17.5 bn, resulting in surplus of USD 15.2 bn
- Thereby, overall trade deficit was up at USD 6.8 bn (vs Dec'23: 2.8 bn)

RBI to conduct daily VRR auctions to infuse liquidity (Source: RBI): RBI will conduct daily VRR auctions on working days from 17 Jan'25 to address liquidity tightness in the banking system. Liquidity deficit in the banking system has surpassed Rs 2 trn, the situation is expected to worsen with GST outflows later this month

Fiscal conditions to constrain credit growth in CY25: Moody's (Source: BS): As per Moody's, the fiscal condition is expected to constrain credit growth further in CY25. It also expects that shift in trade and investment flows from China will benefit. It hinted that funding social welfare programs would slow the fiscal consolidation.

Green Investment to rise five times (Source: ET): As per a CRISIL report, green investments are projected to grow five times to Rs. 31 trn in next 6 years driven by government and corporate initiatives. These investments are projected to focus on renewable energy, transport, automotive sectors, and oil & gas.

T-Bill and VRR auctions conducted successfully (Source: RBI):

- 91-day T-Bill worth Rs. 254 bn were auctioned (notified: Rs. 120 bn), at a cut-off rate of 6.6036%. 182-day T-Bill worth Rs. 87.5 bn were auctioned (notified amount: Rs. 80 bn), at a cut-off rate of 6.7186%. 364-day T-Bill worth Rs. 92.7 bn were auctioned (notified amount: Rs. 80 bn), at a cut-off rate of 6.7038%.
- 5-day VRR worth Rs. 39.8 bn was conducted (notified amount: Rs. 750 bn) at a cut-off yield of 6.51%.

International:

US consumer inflation remains hot in Dec'24 (Source: US BLS): US CPI clocked 2.9% y/y in Dec'24 (Nov'24: 2.7%), matching market expectations. A 3.2% rise in core CPI and 2.5% rise in food prices was offset by 0.5% y/y drop in energy prices. Shelter inflation printed 4.6%, while transportation services prices rose 7.3%.

US Fed officials show confidence on easing inflation (Source: Forex live)

- Mr. Goolsbee said he expects continued progress on inflation and a soft landing in CY25, yet lot of uncertainties remain. This was agreed to by Mr. Williams who said he doesn't read high yield as a shift in inflation
- Mr. Barkin mentioned that inflation is coming down towards target and is encouraged by the unemployment rate. Mr. Kashkari said that tariff won't cause inflation, but the retaliation is more complicated

South Korea and Indonesia delivers rate surprises (Source: Reuters):

- South Korea's Central Bank unexpectedly left its policy interest rate unchanged at 3% (expectation: 25 bps cut) to support the KRW
- Indonesia's Central Bank surprisingly cut policy rate by 25 bps to 5.75% (expectation: no change), its first cut since Sep'24

German economy contracts in CY24 (Source: CNBC): German real GDP contracted by 0.2% y/y in CY24 as expected. The contraction marked second consecutive yearly slowdown after 0.3% contraction in CY23.

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ECB officials favour further interest rate cuts (Source: Bloomberg):

- Mr. de Guindos said that ECB will continue lowering interest rates as economy is losing the growth momentum
- Mr. de Galhau commented that ECB should continue to cut interest rates to reach neutral rate of 2% by summer
- Mr. Centeno said inflation in Euro-area is under control and he sees inflation converging to slightly below 2% in near future

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