

Tables:

Foreign G-Sec Bond Yield:

G-sec	Yield (in %)	1-Day Change in Bps
US 10Y*	4.51	-2
US 2Y*	4.20	-2
Germany 10Y	2.46	-6
UK 10Y	4.54	-2
Japan 10Y	1.23	2

Source: Bloomberg, *semi-annual

G-sec yield:

G- Sec	Yield (in %)	1-Day Change in Bps
7.04% GS 2029*	6.63	0
6.79% GS 2034* (10Y)	6.70	2
7.23% GS 2039*	6.83	1
1-Month T-bill	6.42	0
3-Month T-bill	6.55	0
6-Month T-bill	6.63	2
12-Month T-bill	6.57	-3

Source: CCL, Bloomberg, *semi-annual

Spreads in bps for Corporates

Annualized Spreads	3-year	5-year	7-year	10-year
AAA	94	54	20	39
AA	169	140	105	119
A	360	330	299	318

Source: FIMMDA, as on 30 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	4.36

Source: RBI, Federal Reserve Bank of New York

Money Market instruments (Term segment):

Instrument	Volume (in Rs. Bn)	Weighted Avg Rate (%)
Notice Money	104.4	6.60
Term Money	1.2	-
Triparty Repo	3,292.6	6.58
Market Repo	1,502.6	6.66
Repo in corporate bond	0.0	NA

Source: RBI, as of 31 Jan, 2025

Major Equity Indices:

Indices	Last	1-Day Change %
BSE SENSEX	76,760	0.0
NIFTY	23,482	0.0
NASDAQ	19,627	-0.3
S&P 500	6,041	-0.5
Nikkei 225	39,572	0.1
Euro Stoxx 50	5,287	0.1

Source: Google Finance

Commodities futures:

Commodities	Last	1-Day Change %
Brent Crude (USD/bbl)	75.7	-2.1
Natural gas Nymex (USD/MMBtu)	3.0	-1.9
Gold Comex (USD/t oz.)	2,835.0	-0.5
Copper Comex (USD/lb)	427.9	-0.7
Wheat cbot (USD/bu.)	559.5	-0.6

Source: Bloomberg

Exchange Rates:

Currency pair	Rate	1-Day Change %
USD/ INR	86.62	0.0
GBP/ INR	107.33	-0.3
EUR/ INR	89.61	-0.4
EUR/USD	1.04	-0.3
DXI Index	108.50	0.4

Source: Morningstar, Bloomberg, Marketwatch

Today's Key Macro Events:

India: VRR Auction; Manufacturing PMI Jan'25: India, China, US; Eurozone: CPI Jan'25

News:

Domestic:

Union Budget for FY26 presented (Source: Union Budget Documents): Highlights:

- Gross tax revenues are estimated to grow at ~11% y/y (FY26BE vs. FY25RE) to Rs. 42.7 trn
 - Personal income tax collections are expected to grow at 14%, slower growth than last year due ~Rs. 1 trn revenue foregone owing to changes in Direct Tax code
 - Corporation taxes are expected to grow at a faster clip than last year
 - GST collections are posited to grow at a similar pace as last year
- Total expenditure for FY26BE is projected at Rs. 50.7 trn, an 7.4% y/y increase than FY25RE
 - Capital expenditure is estimated at Rs. 11.2 trn, higher than downwardly revised Rs. 10.2 trn in FY25RE. Allocation to Roads and Railways sees no changes
 - Revenue expenditure has been increased by 7.4% to Rs. 39.4 trn. Major allocation increases are seen to Agriculture and Rural Development
- Fiscal deficit target for FY26 stands reduced to 4.4% of GDP (down from 4.5% in trajectory), with net borrowings slightly decreased
- Gross Union borrowing estimate is up by Rs. 800 bn from FY25RE to Rs. 14.8 trn. Net borrowing for FY26BE is set at Rs. 11.5 trn (FY25RE: Rs. 11.6 trn), representing a slight decline due to higher repayment in FY26
- Union has factored in a 10.1% y/y growth in nominal GDP for FY26

For detailed analysis refer to our report 'SBICAPS Budget Review FY26: Capitalising on Consumption for the Next Phase of Growth'

Fiscal deficit widens in 9MFY25 even as capex spend remains slim (Source: CGA):

- Total receipts rose to Rs. 23.2 trn in 9MFY25 (73% of FY25RE). Net tax revenues stood at Rs. 18.4 trn, while non-tax revenue grew 43% y/y to Rs. 4.5 trn
- Total expenditure grew 5.8% y/y to Rs. 32.3 trn in 9MFY25. Revex grew 7% y/y, while capex grew by 1.7% y/y to Rs. 6.8 trn
- Fiscal deficit reached Rs. 9.1 trn in 9MFY25, which is 54% of FY25RE

GST collections show robust growth in Jan'25 (Source: PIB, ET): Gross GST revenues grew 12.3% y/y to Rs. 1.96 trn. CGST clocked Rs. 361 bn, with SGST at Rs. 449 bn, IGST at Rs. 1010 bn, and cess at Rs. 134 bn. GST on domestic transactions rose 10% y/y, while revenues from tax on imports rose by 19.8% y/y. Net GST collections grew 11% y/y to Rs. 1.71 trn.

Core sectors growth rises in Dec'24 (Source: PIB): Growth in eight core sectors rose to 4.0% y/y in Dec'24, compared to 4.4% in Nov'24. Growth was broad-based across coal (5.3%), electricity (5.1%), steel (5.1%), and cement (4.0%), while natural gas production declined.

High frequency indicators show mixed signals in Jan'25 (Source: RBI, IEX, ET, PPAC):

- Power consumption rose by 2.7% y/y to 137.5 BU. Peak demand reached 237.3 GW in Jan'25
- Clearing price at IEX dropped by 24% y/y even as traded amount rose by 8.2% y/y
- Coal production from CIL saw its first monthly production drop as output decreased by 0.8% y/y to 77.8 mn tonne
- Fuel demand recorded increase as petrol demand grew by 6.3% y/y to 3.3 mn tonne, while diesel consumption rose by 4.2% y/y to 7.7 mn tonne
- UPI transaction value rose 27.5% y/y to Rs. 23.5 trn
- FASTag collection rose by 18.9% y/y to Rs. 66.1 bn

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SBICAPS Daily Digest**Bank credit growth increases in Dec'24 (Source: RBI):**

- Non-food bank credit grew 12.4% y/y in Dec'24, against 11.8% y/y in Nov'24, with credit to industry expanding by 7.4% and services by 13%
- Personal loans registered 14.9% y/y growth (Nov'24: 16.3%), and credit to agriculture and allied sectors grew 12.5% y/y (Nov'24: 15.3%)
- WALR on fresh loans fell by 15 bps m/m to 9.25% in Dec'24, while 2 bps at 9.87% on outstanding loans. 1-year MCLR remained unchanged at 9.0%
- WADTDR on fresh rupee term deposits rose by 11 bps m/m to 6.57%, while it rose by 2 bps at 7.0 % on outstanding loans

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

- 6.79% GS 2031 worth Rs. 100 bn were auctioned at a cut-off yield of 6.7042%. 7.34% GS 2064 worth Rs. 150 bn were auctioned at a cut-off yield of 7.0570%. 6.79% GOI SGrB 2034 worth Rs. 10.5 bn were auctioned against notified amount of Rs. 50 bn at a cut-off yield of 6.6941%
- USD/INR Buy Sell swap worth Rs. 5 trn was auctioned, notably bids worth Rs. 25.6 trn were received, at cut-off premium of Rs. 0.9681
- 3-day VRR worth Rs. 1 trn was auctioned, notably bids worth 1.28 trn were received, at cut-off yield of 6.51%

International:

US inflation surges in line with market expectations (Source: US BEA): US PCE rose by 2.6% y/y in Dec'24, inching above 2.4% y/y clip in Nov'24, in line with market expectations. The rise in Dec'24 was driven by a 3.8% y/y surge in services inflation offset by a mild fall in durable goods prices. Notably, core PCE remained unchanged at 2.8% y/y in Dec'24.

Countries to hit back against US tariffs as POTUS imposes them on select countries (Source: Reuters): US has imposed 25% additional tariff on imports from Canada and Mexico whereas 10% additional tariff on imports from China. In retaliation, Canada said it will retaliate against US's tariffs with 25% levies on slew of US imports. Whereas Mexico claimed that it has prepared a retaliatory plan against it. China mentioned it will challenge tariff at WTO and take unspecified countermeasure in response to levy.

US Fed officials support gradual progress (Source: Bloomberg)

- Ms. Bowman commented that more progress on inflation needed before cutting rates and she also prefers a cautious and gradual approach to adjust policy
- Mr. Goolsbee expressed confidence that inflation is headed to target yet he supports slower pace as he notes uncertainty about fiscal policy impact

Manufacturing activity slows for China and Japan in Jan'25 (Source: S&P Global):

- Caixin China manufacturing PMI fell to 50.1 in Jan'25, from 50.5 in Dec'24, owing to fractional fall in export orders. Also, the average selling prices declined at fastest pace since Jul'23.
- Japan's manufacturing PMI declined to 48.7 in Jan'25 from 49.6 in Dec'24 as production and new orders declined further

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