



# BONDWATCH

Daily

July 06, 2023

INDIA

Indian government bond yields climbed on Thursday, with the benchmark bond yield ending at a more-than-two-month high tracking a sharp jump in U.S. yields, after minutes of U.S. Federal Reserve's June meeting showed more rate hikes are on the cards.

The benchmark 7.26% 2033 bond yield ended at 7.1464%, its highest level since April 21, after closing at 7.1072% on Wednesday.

Bond yields should continue their rise, as higher U.S. yields, coupled with heavy supply through the quarter, will test investors.

U.S. Treasury yields continued their upward momentum from Wednesday. The 10-year U.S. yield neared 4%, while the two-year yield, a closer indicator of interest rate expectations, is approaching the 5% handle.

While the Fed opted for a pause at the June meeting, the minutes revealed that some members could have supported a 25-basis point (bps) hike. Further, almost all participants judged that additional rate increases later this year would be appropriate.

The Fed has raised rates by 500 bps in 10 consecutive meetings from March 2022 to May 2023, before pausing in June. The odds of an increase in July have now risen to around 85%.

Indian banks expect RBI to continue with more overnight variable rate reverse repo auctions, despite its first such attempt seeing subscriptions of less than half the target amount of 1 trillion rupees.

The Indian rupee weakened 0.35% versus the U.S. dollar, and quoted at 82.51 per dollar, as minutes of the U.S. Federal Reserve's latest meeting indicated that further monetary policy tightening was likely.

Repo: The weighted average call rates in the interbank segment increased at 6.44% vs 5.41% as on the previous day while that the TREP segment increased to 6.39% vs 6.35% as on the previous day.

## Market Observations

### G-sec

- Market participants were looking to off load state development loans in 10-year maturity in expectations of further sell off in Government security.
- Mutual funds seen buying short maturity T-bills.

### Corporate Bonds

- Mutual funds were active in the 2025-2026 segment.
- Insurance companies were active and pension funds were buying in the longer-end segment.

### CP/CD

- Demand was seen in the 3-month segment.

GOI Yield	6-Jul	5-Jul	30-Jun	7-Jun
1 Year	6.840	6.800	6.850	6.850
5 Year	7.116	7.073	7.076	6.918
10 Year	7.146	7.107	7.117	6.981

AAA Bmk	6-Jul	5-Jul	30-Jun	7-Jun
1 Year	7.35	7.38	7.45	7.40
5 Year	7.58	7.57	7.57	7.43
10 Year	7.52	7.52	7.50	7.40

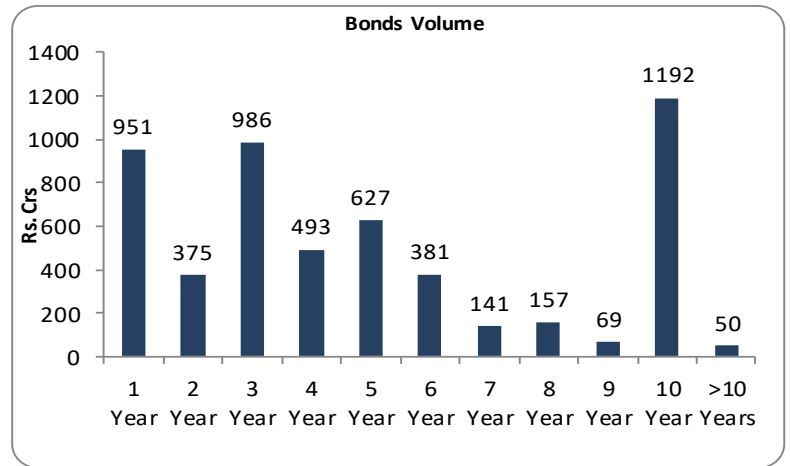
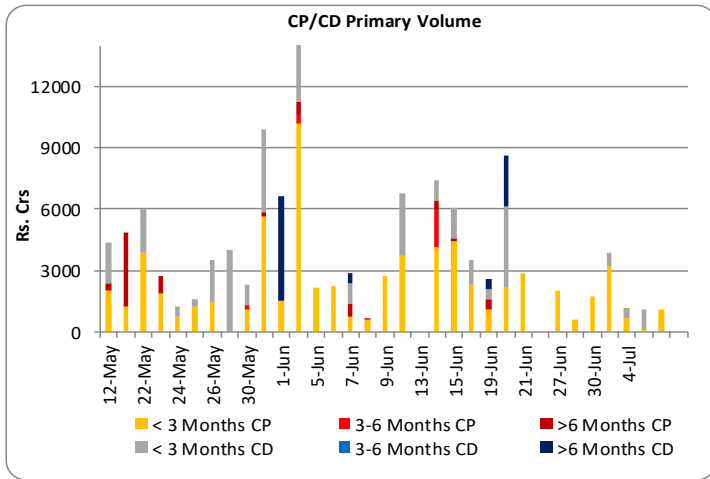
CD	6-Jul	5-Jul	30-Jun	7-Jun
3 Month	6.95	6.95	6.95	6.85
6 Month	7.20	7.20	7.20	7.15
1 Year	7.50	7.55	7.45	7.35

CP	6-Jul	5-Jul	30-Jun	7-Jun
3 Month	7.10	7.10	7.10	6.95
6 Month	7.30	7.30	7.30	7.25
1 Year	7.60	7.65	7.55	7.45

OIS Rate	6-Jul	5-Jul	30-Jun	7-Jun
1 Year	6.78	6.75	6.74	6.60
2 Year	6.51	6.47	6.45	6.26
3 Year	6.42	6.39	6.36	6.13
5 Year	6.38	6.33	6.30	6.05

	6-Jul	5-Jul	30-Jun	7-Jun
Sensex	65,786	65,446	64,719	63,143
Nifty	19,497	19,399	19,189	18,726
USD/INR	82.51	82.23	82.04	82.55
Gold (USD)	1,924	1,917	1,920	1,940
Oil (USD)	76.90	76.65	74.90	76.95

NDF	6-Jul	5-Jul	30-Jun	7-Jun
3 Month	82.71	82.66	82.29	82.80
1 Year	83.78	83.72	83.40	83.96
2 Year	85.85	85.68	85.38	86.27
3 Year	88.52	88.33	88.03	89.02



10 Year Benchmarks	6-Jul	5-Jul	30-Jun	7-Jun
India	7.15	7.11	7.11	6.98
US	3.98	3.95	3.82	3.78
South Korea	3.71	3.65	3.70	3.52
Russia	11.21	11.20	11.19	10.83
Brazil	10.82	10.74	10.67	11.13
Germany	2.54	2.48	2.39	2.44
China	2.69	2.70	2.68	2.71

Top Traded Securities	Volume	6-Jul	5-Jul	30-Jun	7-Jun
5.74 2026	250	7.10	7.07	7.07	6.91
7.38 2027	-	7.12	7.07	7.08	6.92
7.10 2029	-	7.15	7.10	7.12	6.97
6.54 2032	-	7.19	7.15	7.15	7.04
7.26 2032	#VALUE!	7.18	7.14	7.15	7.02
7.54 2036	-	7.27	7.23	7.24	7.09

DEBT			
MF	Gross Purchase	Gross Sales	Net Investment
4-Jul-23	3247	3575	-328

EQUITY		
MF	Gross Purchase	Net Investment
4-Jul-23	4290	1206

TOTAL (Rs.Crs)		
MF	Gross Purchase	Net Investment
4-Jul-23	7537	878

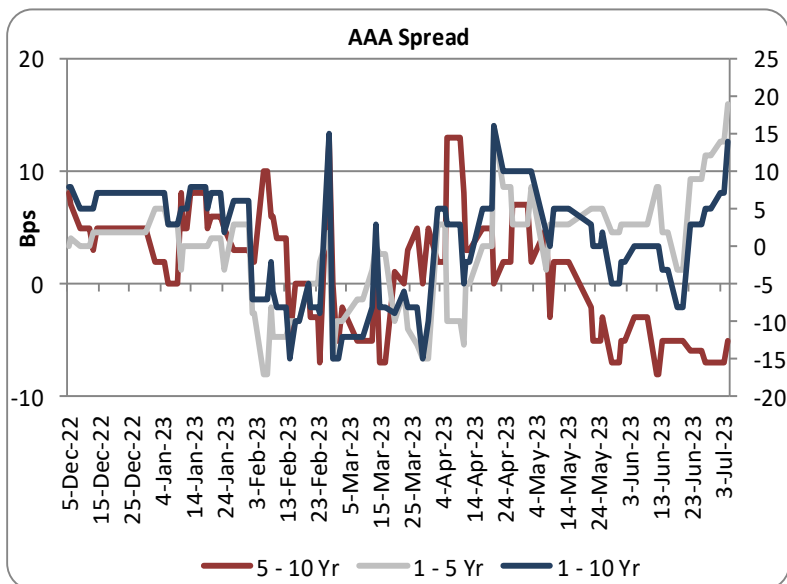
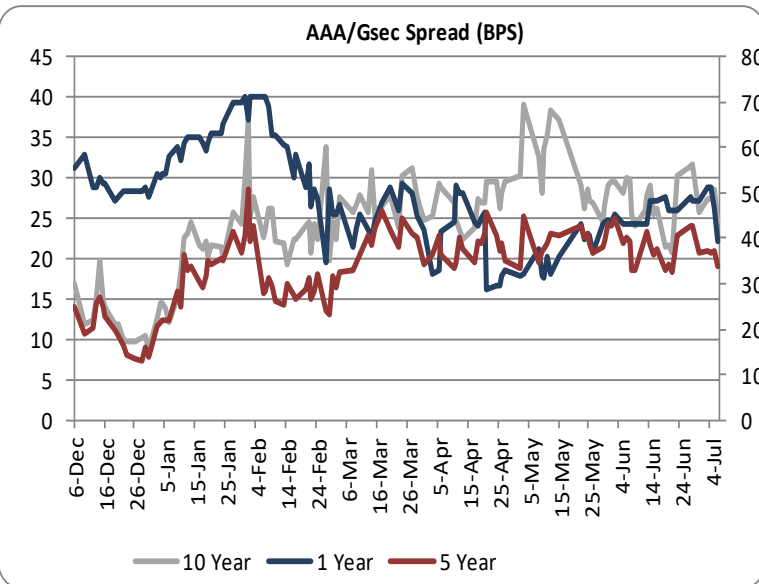
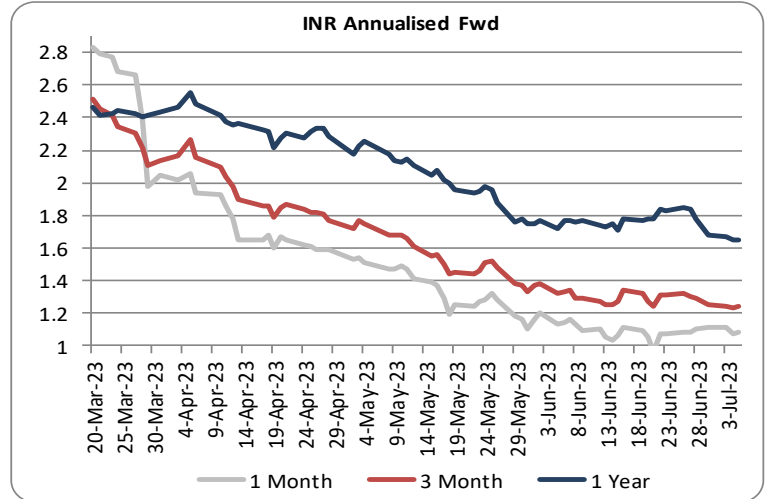
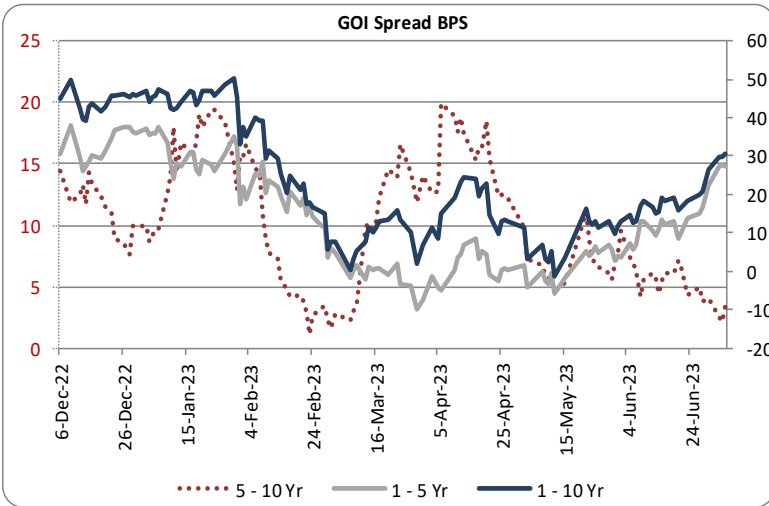
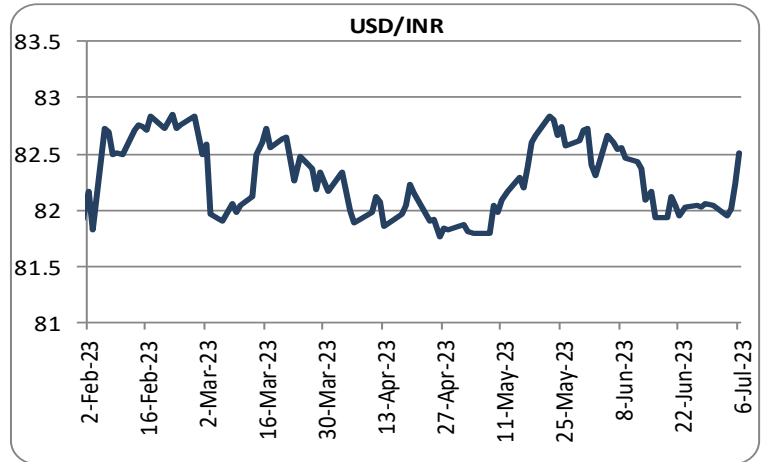
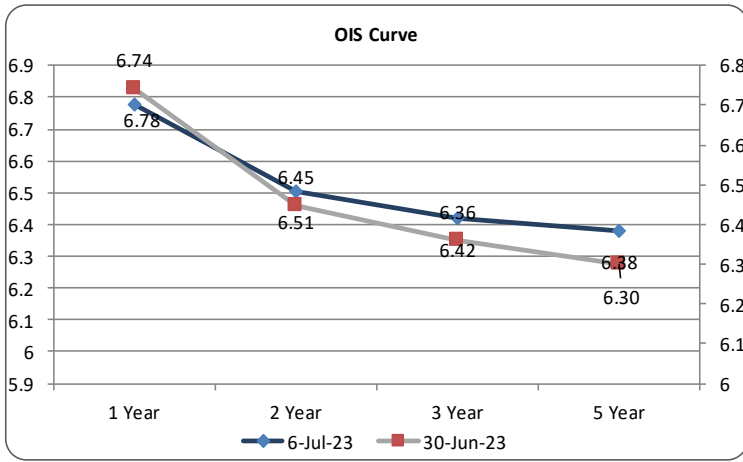
DEBT			
FII	Gross Purchase	Gross Sales	Net Investment
6-Jul-23	1334	984	350

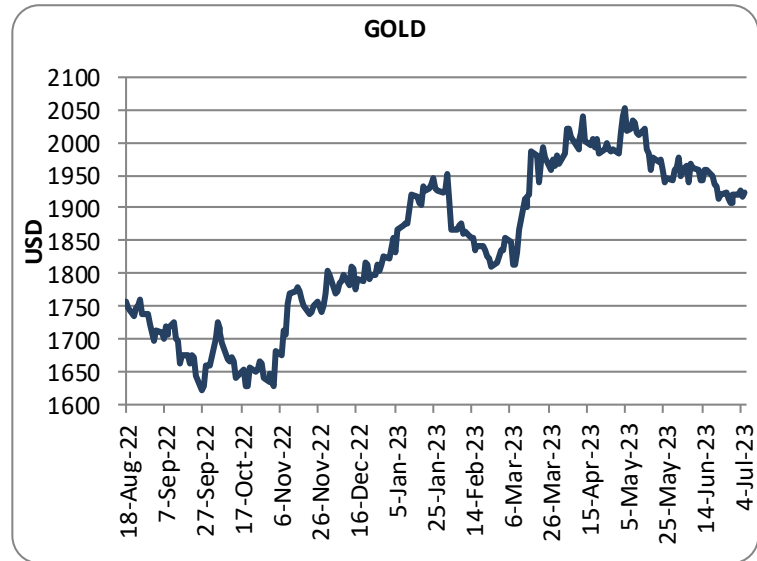
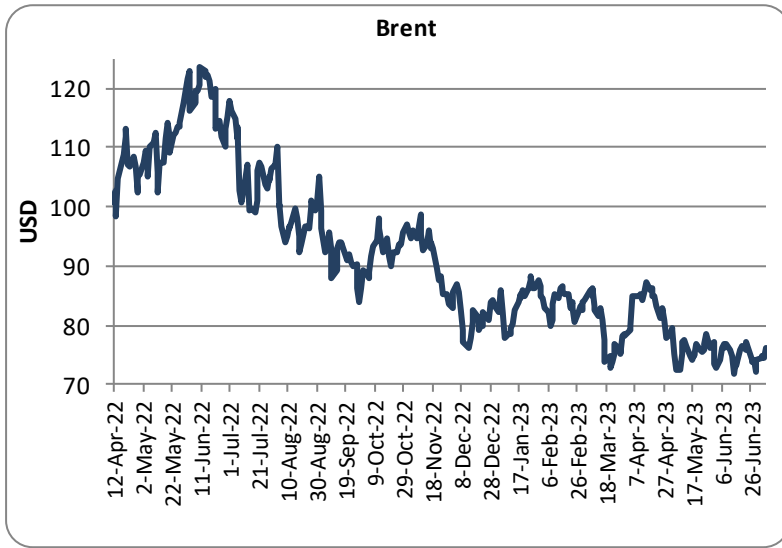
EQUITY		
FII	Gross Purchase	Net Investment
6-Jul-23	9199	2290

TOTAL (Rs. Crs)		
FII	Gross Purchase	Net Investment
6-Jul-23	10533	2639

INDICATORS	PERIOD	ACTUAL	PRIOR
GDP Quaterly (%)	Mar-23	6.1	4.4
CAD (\$ Bn)	Mar-23	-1.3	-16.8
Trade Deficit (\$ Bn)	Mar-23	-52.6	-72.7
WPI (%)	May-23	-3.5	-0.9
CPI (%)	May-23	4.3	4.7
IIP (%)	Apr-23	4.2	1.1
PMI Manufacturing	Jun-23	57.8	58.7
PMI Service	Jun-23	58.5	61.2

Economic Calender	Country	Date	Poll	Prior
Retail Sales	Euro Zone	6-Jul-23	-2.7	-2.6
Industrial Production	Germany	07-Jul-23	-	1.75
CPI	China	10-Jul-23	-	0.20
CPI	Germany	11-Jul-23	-	6.40
CPI	India	12-Jul-23	-	4.25
Industrial Output	UK	13-Jul-23	-	(1.90)
GDP Estimate	UK	13-Jul-23	-	0.50
Industrial Production	Euro Zone	13-Jul-23	-	0.20





Sources: Reserve Bank of India, Bloomberg, Reuters, CCIL and FIMMDA.

**LKP SECURITIES LTD.**, 203, Embassy Centre, Nariman Point, Mumbai- 400021

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For any queries contact - LKP Securities Ltd. Ph: (91-22) 66306555 Fax: (91-22) 2284 2415 E Mail: FixedIncomeResearch@lkpsec.com

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