



BONDWATCH

INDIA

Daily

August 18, 2023

Indian government bond yields rose for a fourth consecutive week as elevated U.S. yields, as well as a jump in local inflation added to worries of interest rates remaining higher for longer in India as well as in the United States.

Bond yields, however, ended the day lower, after better-than-expected demand at debt sale and as the benchmark yield was unable to breach key levels on the upside.

The benchmark 7.26% 2033 bond yield ended at 7.2172% after ending the previous session at 7.2487%. The yield rose two basis points this week after rising 12 bps in last three weeks.

Inflation number has been broadly digested, but till the time U.S. yields remain elevated, we may see bond yields remaining around the current levels. If the 10-year U.S. yield falls convincingly below 4.20% levels, only then we could see the benchmark easing to around 7.20%,

U.S. yields eased in Asian trading hours, but remained elevated after climbing over the past few sessions on rising bets that the Fed will hold rates higher for longer. The 10-year yield was trading around 4.25% after hitting 4.33% on Thursday, the highest level in 10 months. The Fed has raised rates by 525 basis points since March 2022.

Sentiment also weakened as India's July retail inflation spiked to a 15-month high of 7.44% from 4.87% in the previous month.

The Indian rupee strengthened 0.06% versus the U.S. dollar, and quoted at 83.10 per dollar, aided by softness in U.S. Treasury yields and easing in the dollar after concerns of U.S. interest rates staying higher for longer pushed the local unit to a record closing low earlier in the week.

Repo: The weighted average call rates in the interbank segment decreased to 6.69% vs 6.76% as on the previous day while that the TREP segment decreased to 6.63% vs 6.69% as on the previous day.

Market Observations

G-sec

- Auction cut off on G-sec came in line with market expectations. Cut off on longer end G-sec came better than market expectations.
- Insurance companies seen selling SDL's in 9 to 10-year maturity. However, demand was muted in SDL's.
- Foreign banks seen churning their position in longer end G-sec.

Corporate Bonds

- Most of the market participants were net sellers.
- Pension funds were buying in the longer end.

CP/CD

- Activity was seen in the 3-month segment.

GOI Yield	18-Aug	17-Aug	9-Aug	20-Jul
1 Year	7.025	7.045	6.945	6.860
5 Year	7.203	7.241	7.152	7.057
10 Year	7.217	7.249	7.175	7.083

AAA Bmk	18-Aug	17-Aug	9-Aug	20-Jul
1 Year	7.45	7.45	7.35	7.35
5 Year	7.71	7.74	7.60	7.51
10 Year	7.65	7.65	7.60	7.50

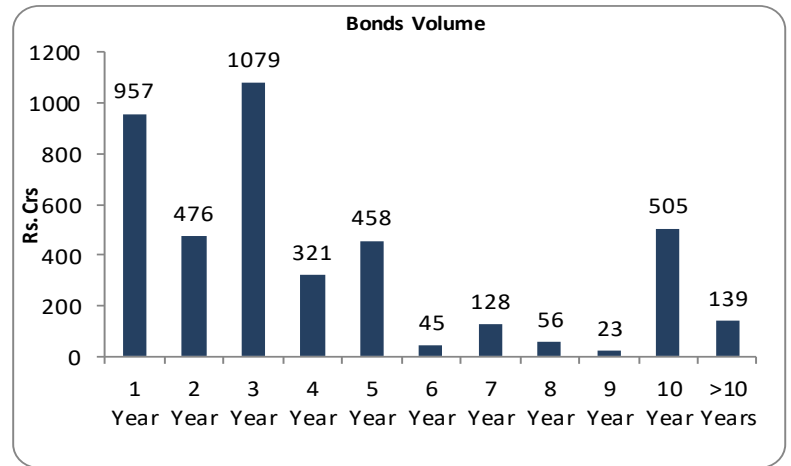
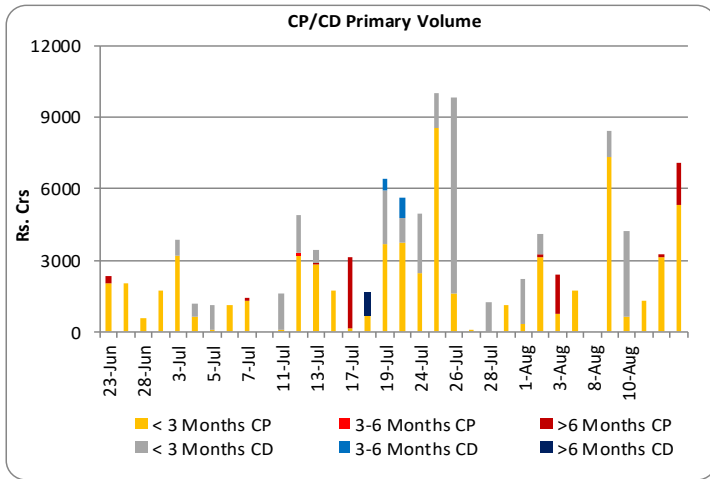
CD	18-Aug	17-Aug	9-Aug	20-Jul
3 Month	7.05	7.05	6.90	6.95
6 Month	7.30	7.30	7.20	7.18
1 Year	7.50	7.50	7.50	7.45

CP	18-Aug	17-Aug	9-Aug	20-Jul
3 Month	7.20	7.20	7.00	7.10
6 Month	7.40	7.40	7.30	7.28
1 Year	7.60	7.60	7.60	7.60

OIS Rate	18-Aug	17-Aug	9-Aug	20-Jul
1 Year	7.00	7.03	6.88	6.78
2 Year	6.75	6.80	6.61	6.47
3 Year	6.71	6.76	6.56	6.37
5 Year	6.67	6.73	6.51	6.29

	18-Aug	17-Aug	9-Aug	20-Jul
Sensex	64,949	65,151	65,996	67,572
Nifty	19,310	19,365	19,633	19,979
USD/INR	83.10	83.15	82.82	81.99
Gold (USD)	1,894	1,889	1,915	1,970
Oil (USD)	83.53	84.12	87.55	79.64

NDF	18-Aug	17-Aug	9-Aug	20-Jul
3 Month	83.37	83.41	83.08	82.31
1 Year	84.46	84.48	84.28	83.48
2 Year	86.58	86.63	86.48	85.56
3 Year	89.23	89.28	89.13	88.21



10 Year Benchmarks	18-Aug	17-Aug	9-Aug	20-Jul
India	7.22	7.25	7.18	7.08
US	4.22	4.31	4.01	3.85
South Korea	3.92	3.99	3.77	3.60
Russia	11.76	11.76	11.71	11.46
Brazil	11.29	11.29	10.85	10.92
Germany	2.59	2.70	2.47	2.45
China	2.57	2.57	2.65	2.66

Top Traded Securities	Volume	11-Aug	10-Aug	4-Aug	13-Jul
7.26 2033	18,935	7.20	7.15	7.19	7.07
7.06 2028	1,175	7.32	7.30	7.34	7.21
7.62 2039	-	7.22	7.18	7.22	7.12
7.30 2053	120	#N/A	#N/A	#N/A	7.19
6.64 2035	160	#N/A	#N/A	7.33	7.17
7.40 2035	45	#N/A	#N/A	7.34	7.17

DEBT			
MF	Gross Purchase	Gross Sales	Net Investment
3-Aug-23	3082	2594	487

EQUITY			
	Gross Purchase	Gross Sales	Net Investment
	3594	3518	76

TOTAL (Rs.Crs)			
	Gross Purchase	Gross Sales	Net Investment
	6676	6112	563

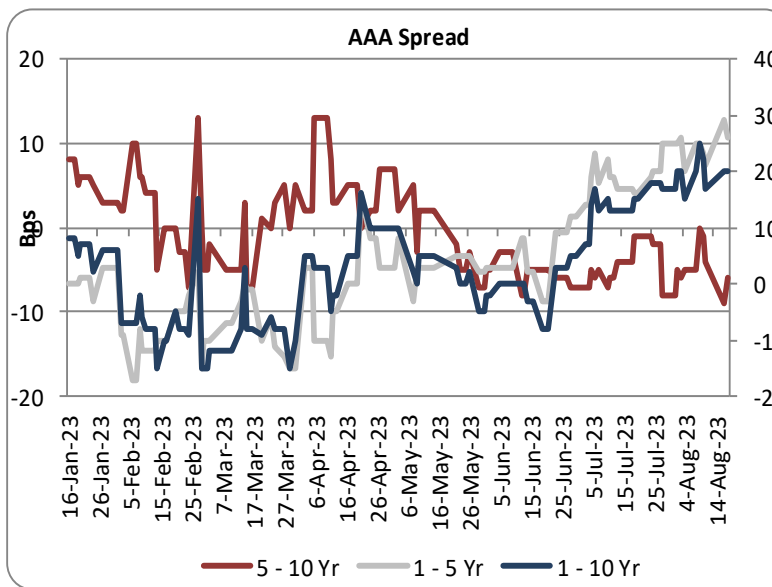
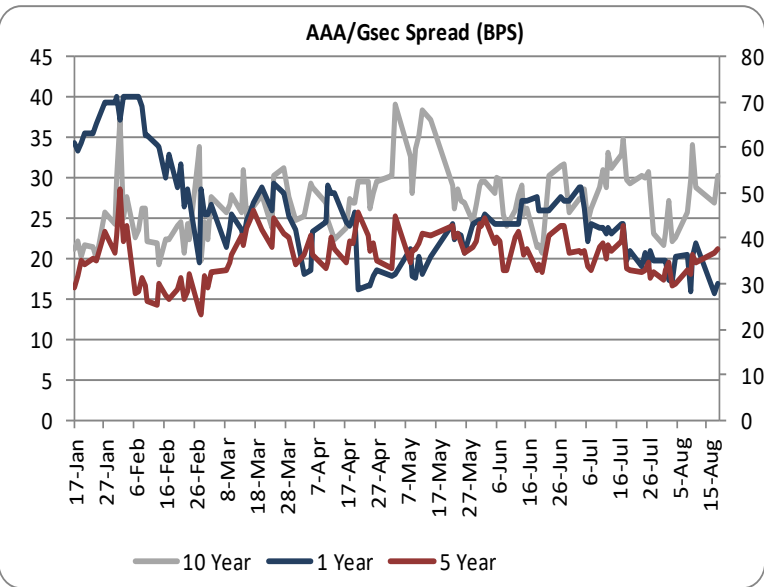
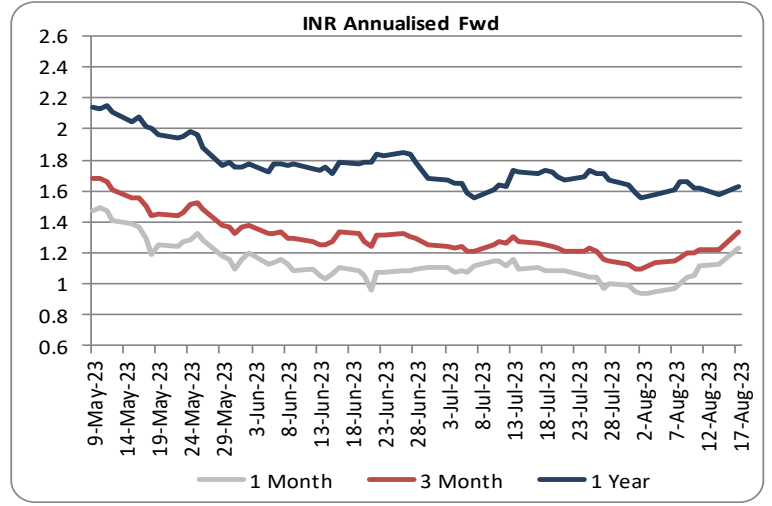
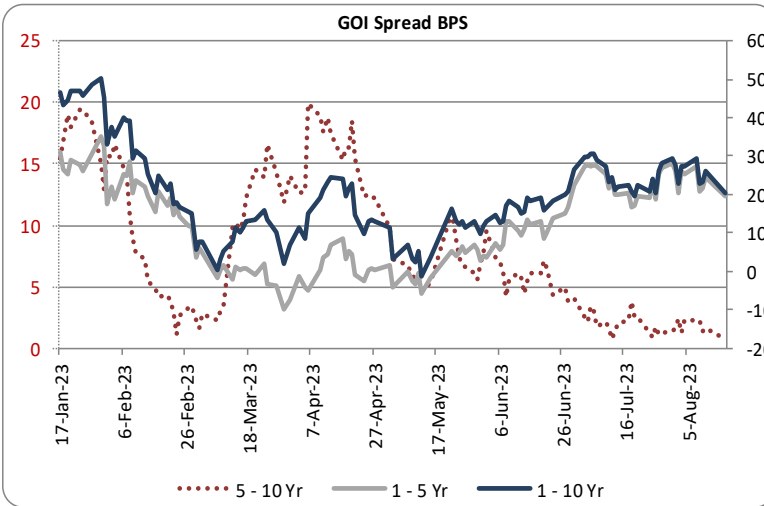
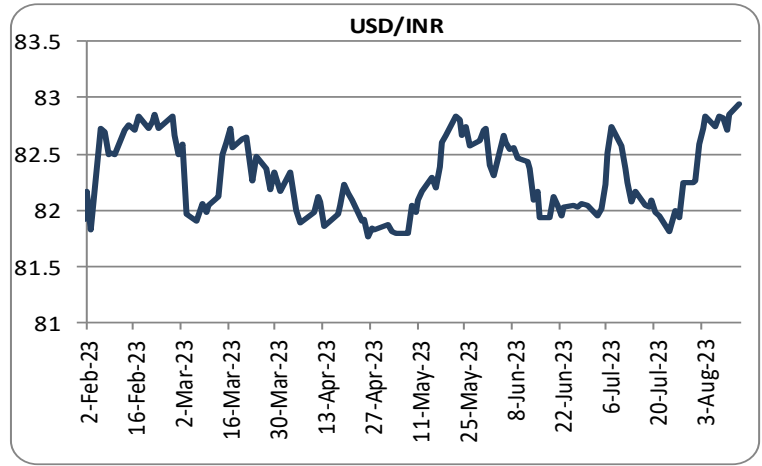
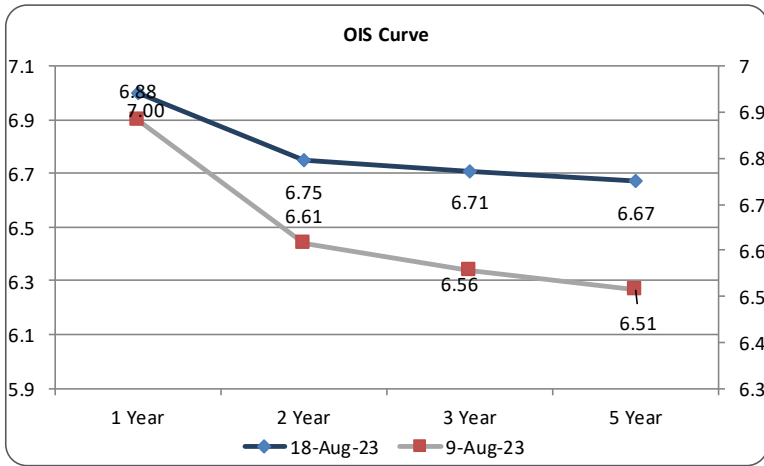
DEBT			
FII	Gross Purchase	Gross Sales	Net Investment
18-Aug-23	1091	917	174

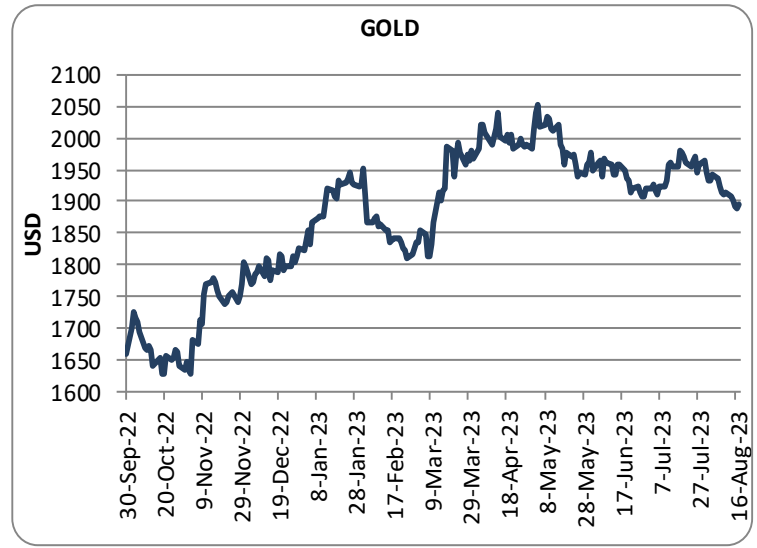
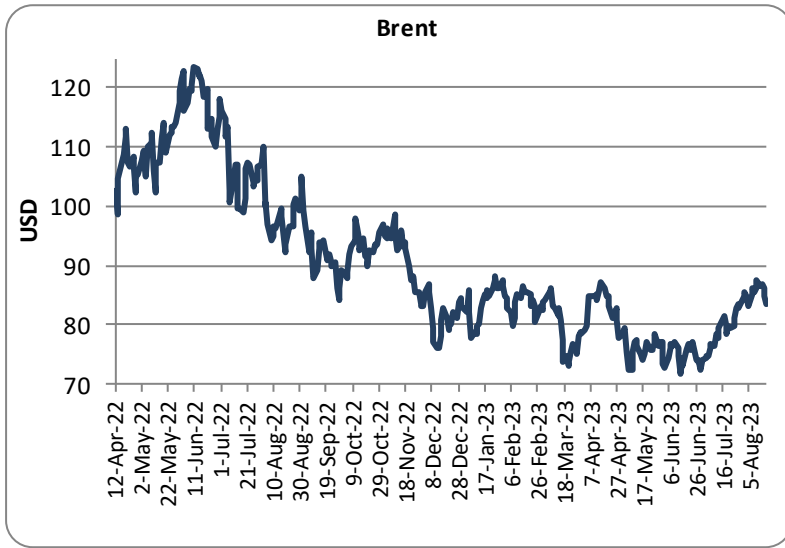
EQUITY			
	Gross Purchase	Gross Sales	Net Investment
	11655	12642	-987

TOTAL (Rs. Crs)			
	Gross Purchase	Gross Sales	Net Investment
	12746	13559	-813

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 (%)	Jul-23	-1.4	-4.1
CPI (%)	Jul-23	7.4	4.9
IIP (%)	Jun-23	3.7	5.2
PMI Manufacturing	Jul-23	57.7	57.8
PMI Service	Jul-23	62.3	58.5

Economic Calender	Country	Date	Poll	Prior
CPI	Japan	18-Aug-23	3.1	3.3
Retail Sales	UK	18-Aug-23	(2.10)	(1.00)
Unemployment Rate	Poland	24-Aug-23	5.00	5.00
Unemployment Rate	Japan	29-Aug-23	-	2.50
Q2 GDP	USA	30-Aug-23	-	2.40
Imports	Germany	31-Aug-23	-	(11.40)
Unemployment Rate	Germany	31-Aug-23	-	5.60
Unemployment Rate	Euro Zone	31-Aug-23	-	6.40





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

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