



# BONDWATCH

Daily

INDIA

December 29, 2023

Indian government bond yields rounded off 2023 with a fall, their first in three years, as the local central bank paused rate hikes and a dovish nudge from the U.S. Federal Reserve set the stage for rate cuts in 2024.

The 10-year benchmark bond yield ended at 7.1754% on Friday. The 10-year yield dipped 15 basis points in 2023.

Bond yields kicked off the year with a tendency to rise as markets struggled to get clues on how far, and how long central banks would raise rates. Uncertainty over the inclusion of Indian government bonds in global indices also created jitters.

Clarity on both those fronts emerged as the year progressed, with the Reserve Bank of India (RBI) pausing rates and Indian bonds becoming a part of JPMorgan's emerging market debt index.

The fall in yields, however, remained capped, by the central bank's aggressive plan to absorb liquidity from the banking system.

Bond yields got a strong push after the Fed in December provided a dovish guidance and hinted at 75 basis points of rate cuts in 2024. Markets are pricing in over 150 bps of rate cuts in 2024, with the first cut as early as March.

The annual fall in bond yields were also aided by a strong pickup in foreign purchases in the last quarter as investors budgeted for the move in June.

The 10-year U.S. yield has stayed below the critical 3.85% level, having dropped 100 bps over November and December.

The Indian rupee weakened 0.05% versus the U.S. dollar, and quoted at 83.21 per dollar, pressured by dollar demand from importers and a slight recovery in the dollar index. The currency declined 0.5% in 2023, its smallest dip in a six-year losing streak.

Repo: The weighted average call rates in the interbank segment increased to 6.85% vs 6.80% as on the previous day while that the TREP segment remained the same at 6.77% vs 6.77% as on the previous day.

## Market Observations

### G-sec

- Demand was seen in 2027 and 2028 maturity G-sec by foreign banks @7.08 to 7.10 levels.
- G-sec cut off was better than market expectations across all the maturities.
- Demand was seen in 1-month t-bill by corporate @6.85 centric levels

### Corporate Bonds

- Major activity was seen in the 2024-2026 segment.

### CP/CD

- Demand was seen in the 3-month segment.

GOI Yield	29-Dec	28-Dec	22-Dec	4-Dec
1 Year	7.080	7.100	7.100	7.140
5 Year	7.087	7.116	7.096	7.245
10 Year	7.175	7.211	7.186	7.270

AAA Bmk	29-Dec	28-Dec	22-Dec	4-Dec
1 Year	7.84	7.82	7.80	7.82
5 Year	7.74	7.75	7.75	7.82
10 Year	7.70	7.70	7.70	7.80

CD	29-Dec	28-Dec	22-Dec	4-Dec
3 Month	7.42	7.42	7.45	7.35
6 Month	7.75	7.80	7.75	7.60
1 Year	7.90	7.90	7.90	7.75

CP	29-Dec	28-Dec	22-Dec	4-Dec
3 Month	7.55	7.55	7.70	7.80
6 Month	7.90	7.90	8.00	8.00
1 Year	8.00	8.00	8.05	8.15

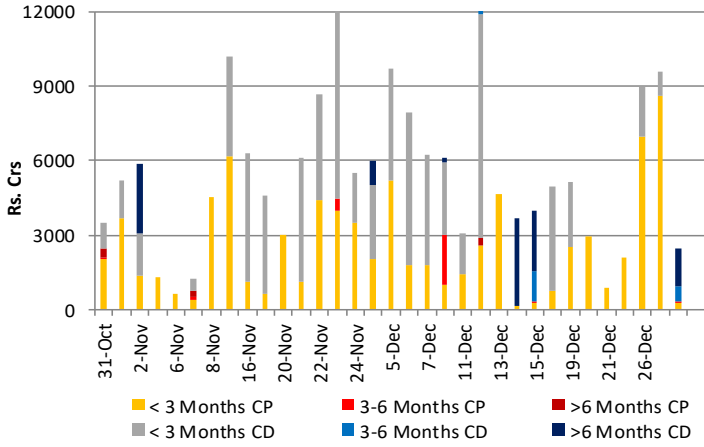
OIS Rate	29-Dec	28-Dec	22-Dec	4-Dec
1 Year	6.62	6.64	6.65	6.86
2 Year	6.28	6.30	6.29	6.57
3 Year	6.22	6.25	6.24	6.53
5 Year	6.18	6.20	6.21	6.49

	29-Dec	28-Dec	22-Dec	4-Dec
Sensex	72,240	72,410	71,107	68,865
Nifty	21,731	21,779	21,349	20,687
USD/INR	83.21	83.17	83.14	83.37
Gold (USD)	2,066	2,065	2,053	2,030
Oil (USD)	77.61	78.39	79.07	78.03

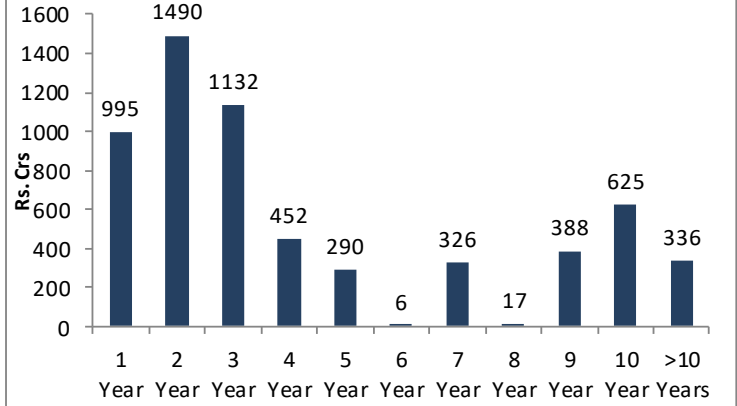
NDF	29-Dec	28-Dec	22-Dec	4-Dec
3 Month	83.47	83.51	83.40	83.62
1 Year	84.64	84.69	84.81	84.81
2 Year	87.09	87.23	87.32	87.21
3 Year	89.94	90.13	90.22	90.06



CP/CD Primary Volume



Bonds Volume



10 Year Benchmarks	29-Dec	28-Dec	22-Dec	4-Dec
India	7.18	7.21	7.19	7.27
US	3.89	3.85	3.91	4.29
South Korea	3.18	3.20	3.31	3.62
Russia	12.34	12.32	12.15	12.28
Brazil	10.35	10.35	10.37	10.91
Germany	2.02	1.94	1.97	2.35
China	2.58	2.59	2.62	2.69

Top Traded Securities	Volume	20-Dec	19-Dec	13-Dec	21-Nov
7.26 2033	590	7.21	7.21	7.31	7.32
7.06 2028	1,020	7.34	7.34	7.41	7.39
7.62 2039	-	7.22	7.21	7.31	7.34
7.30 2053	1,635	7.37	7.37	7.47	7.44
6.64 2035	235	7.31	7.29	7.36	7.37
7.40 2035	880	7.27	7.25	7.35	7.37

MF	DEBT		
	Gross Purchase	Gross Sales	Net Investment
26-Dec-23	7299	6076	1223

EQUITY	Gross Purchase	Gross Sales	Net Investment
	5703	7402	-1699

TOTAL (Rs.Crs)		
Gross Purchase	Gross Sales	Net Investment
13002	13478	-476

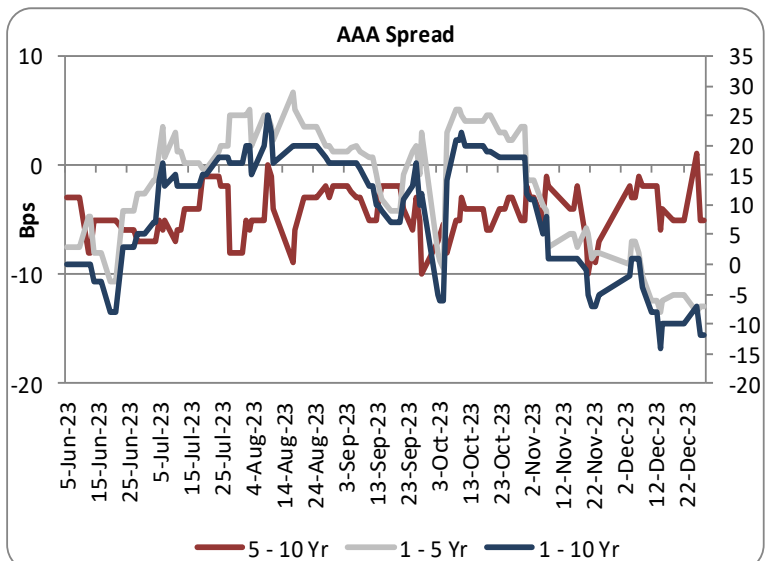
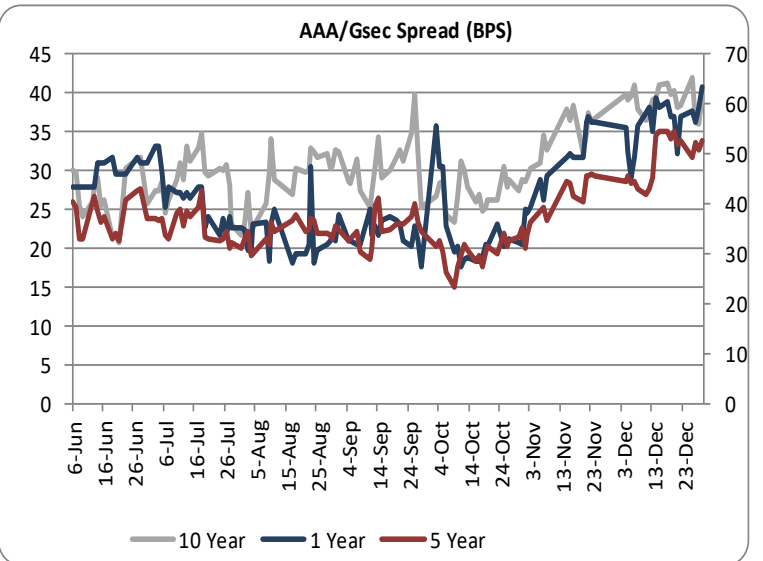
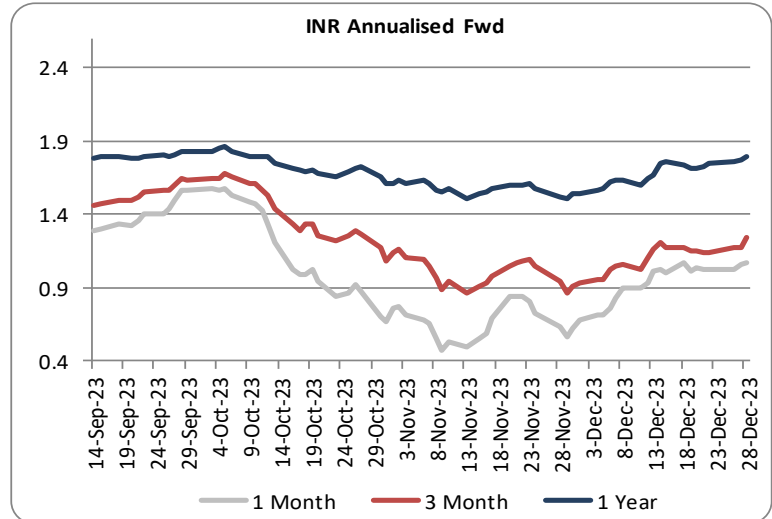
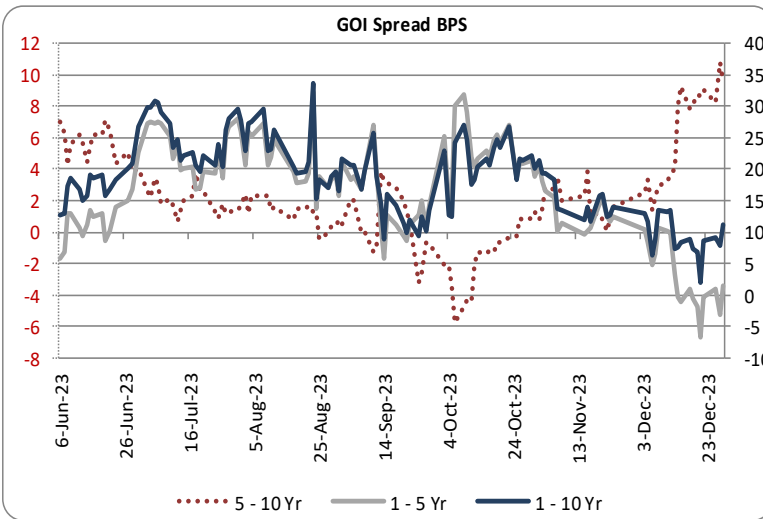
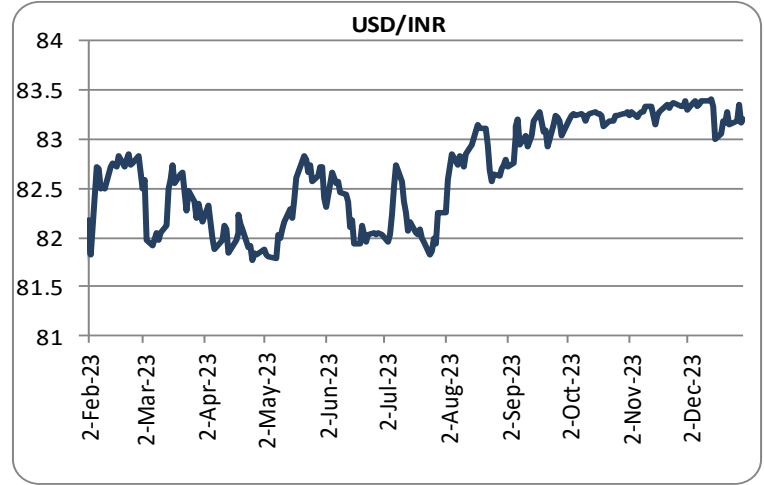
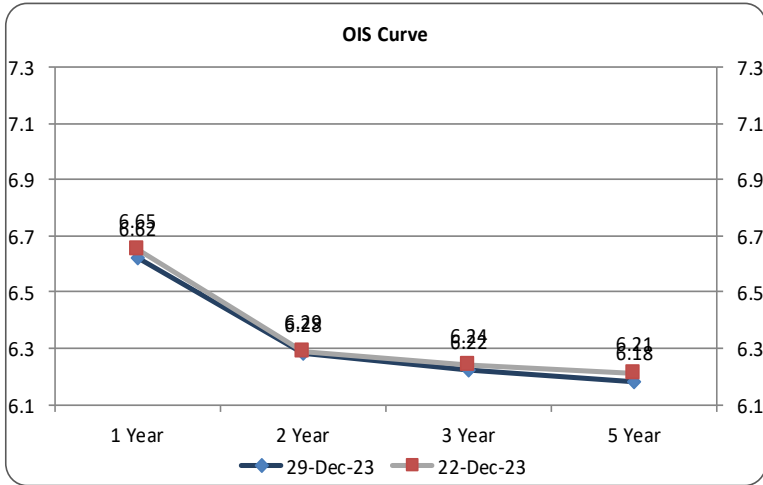
FII	DEBT		
	Gross Purchase	Gross Sales	Net Investment
29-Dec-23	1171	293	877

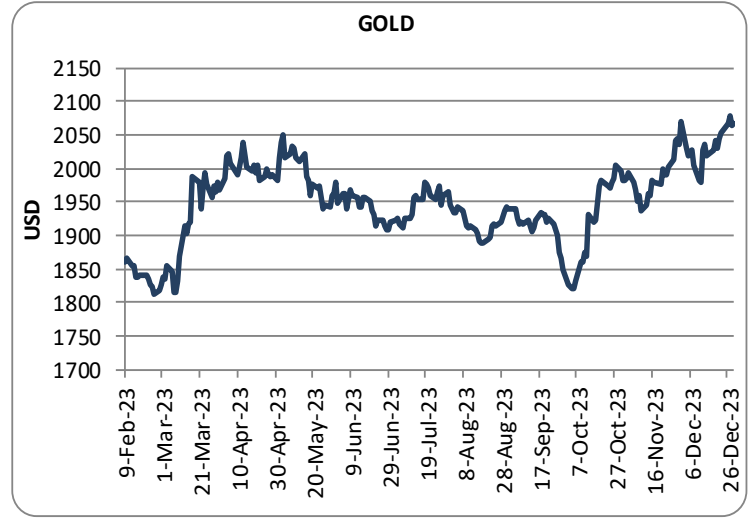
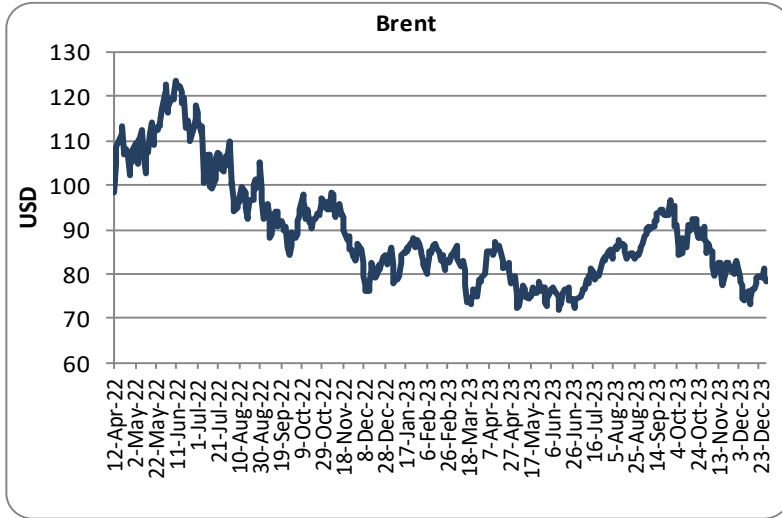
EQUITY	Gross Purchase	Gross Sales	Net Investment
	15920	10264	5657

TOTAL (Rs. Crs)		
Gross Purchase	Gross Sales	Net Investment
17091	10557	6534

INDICATORS	PERIOD	ACTUAL	PRIOR
GDP Quaterly (%)	Sep-23	7.6	7.8
CAD (\$ Bn)	Sep-23	-8.3	-9.2
Trade Deficit (\$ Bn)	Sep-23	-61.0	-56.6
WPI (%)	Nov-23	0.3	-0.5
CPI (%)	Nov-23	5.6	4.9
IIP (%)	Oct-23	11.7	5.8
PMI Manufacturing	Nov-23	56	55.5
PMI Service	Nov-23	56.9	58.4

Economic Calender	Country	Date	Poll	Prior
Unemployment Rate	Russia	27-Dec-23	2.9	2.9
Industrial Output	Japan	28-Dec-23	3.00	1.10
Retail Sales	Japan	28-Dec-23	5.00	4.20
CPI	Japan	29-Dec-23	3.26	3.30
CPI	Germany	04-Jan-24	3.70	3.20
Industrial Output	Brazil	05-Jan-24	0.20	1.20
Unemployment Rate	USA	05-Jan-24	3.80	3.70
Unemployment Rate	Canada	05-Jan-24	5.90	5.80





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

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