



BONDWATCH

INDIA

Daily

August 23, 2023

Indian government bond yields ended lower on Wednesday, as traders added positions on strong upper resistance in yields while they await key triggers later in the week.

The benchmark 7.26% 2033 bond yield ended at 7.1927%, its lowest level in two weeks and after ending the previous session at 7.2204%. The yield has eased six basis points (bps) after hitting an over a four-month high of 7.26% last Thursday.

Even as the 10-year U.S. yield eased slightly, it remains elevated, hovering around 16-year high levels on rising bets that interest rates will remain elevated for longer. The spread between Indian and U.S. 10-year yields has fallen below 300 basis points for the first time in 14 years, as local yields have held their ground in recent sessions and not reacted much to the spike in their U.S. counterpart.

Even as the odds of another 25-bps rate hike by the U.S. Federal Reserve remained at around 15%, market participants continuously pushed back rate cut hopes.

Back home, The RBI maintained a status quo on policy rates in the meeting earlier this month, but raised inflation forecast for the quarter as well as the year.

Retail inflation spiked to a 15-month high of 7.44% in July, up from the previous month's 4.87%.

The Indian rupee strengthened 0.31% versus the U.S. dollar, and quoted at 82.69 per dollar, amid likely dollar sales from state-run banks, and as Reuters reported that RBI has asked some banks to stop taking fresh arbitrage positions in the non-deliverable forwards market.

Repo: The weighted average call rates in the interbank segment increased to 6.77% vs 6.76% as on the previous day while that the TREP segment decreased to 6.75% vs 6.76% as on the previous day.

| GOI Yield | 23-Aug | 22-Aug | 18-Aug | 25-Jul |
|-----------|--------|--------|--------|--------|
| 1 Year | 6.857 | 7.010 | 7.025 | 6.863 |
| 5 Year | 7.180 | 7.204 | 7.203 | 7.094 |
| 10 Year | 7.193 | 7.220 | 7.217 | 7.103 |

| AAA Bmk | 23-Aug | 22-Aug | 18-Aug | 25-Jul |
|---------|--------|--------|--------|--------|
| 1 Year | 7.45 | 7.45 | 7.45 | 7.35 |
| 5 Year | 7.68 | 7.68 | 7.71 | 7.55 |
| 10 Year | 7.65 | 7.65 | 7.65 | 7.53 |

| CD | 23-Aug | 22-Aug | 18-Aug | 25-Jul |
|---------|--------|--------|--------|--------|
| 3 Month | 7.05 | 7.05 | 7.05 | 6.95 |
| 6 Month | 7.30 | 7.30 | 7.30 | 7.15 |
| 1 Year | 7.45 | 7.50 | 7.50 | 7.45 |

| CP | 23-Aug | 22-Aug | 18-Aug | 25-Jul |
|---------|--------|--------|--------|--------|
| 3 Month | 7.20 | 7.20 | 7.20 | 7.10 |
| 6 Month | 7.40 | 7.40 | 7.40 | 7.28 |
| 1 Year | 7.55 | 7.60 | 7.60 | 7.55 |

| OIS Rate | 23-Aug | 22-Aug | 18-Aug | 25-Jul |
|----------|--------|--------|--------|--------|
| 1 Year | 6.99 | 7.00 | 7.00 | 6.82 |
| 2 Year | 6.72 | 6.77 | 6.75 | 6.54 |
| 3 Year | 6.66 | 6.73 | 6.71 | 6.43 |
| 5 Year | 6.63 | 6.69 | 6.67 | 6.36 |

| | 23-Aug | 22-Aug | 18-Aug | 25-Jul |
|------------|--------|--------|--------|--------|
| Sensex | 65,433 | 65,220 | 64,949 | 66,356 |
| Nifty | 19,444 | 19,396 | 19,310 | 19,681 |
| USD/INR | 82.69 | 82.94 | 83.10 | 81.87 |
| Gold (USD) | 1,902 | 1,897 | 1,888 | 1,965 |
| Oil (USD) | 82.85 | 84.03 | 84.80 | 83.64 |

| NDF | 23-Aug | 22-Aug | 18-Aug | 25-Jul |
|---------|--------|--------|--------|--------|
| 3 Month | 82.99 | 83.36 | 83.45 | 82.12 |
| 1 Year | 84.13 | 84.45 | 84.50 | 83.30 |
| 2 Year | 86.08 | 86.60 | 86.66 | 85.32 |
| 3 Year | 88.72 | 89.25 | 89.31 | 87.97 |

Market Observations

G-sec

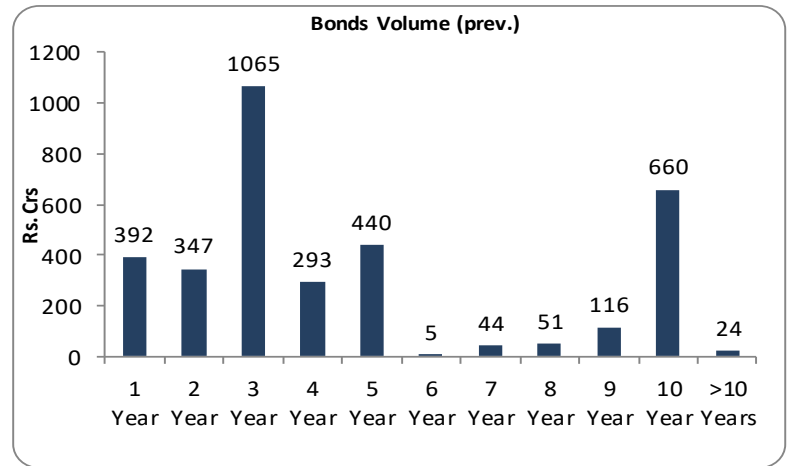
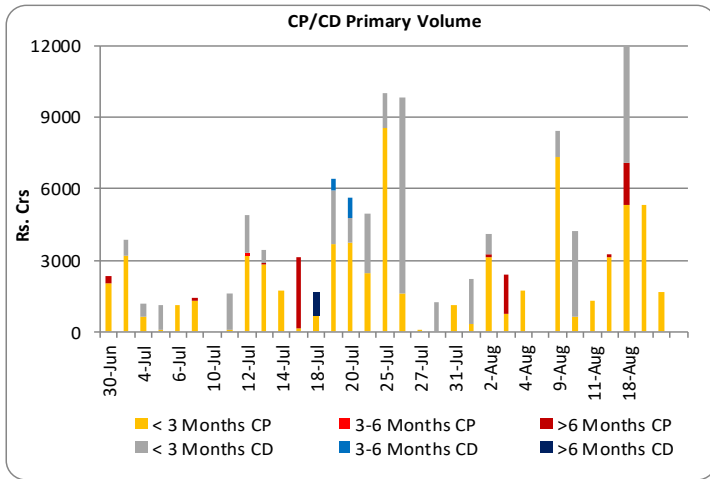
- Auction cut off on T- bills came in line with market expectations. Mutual funds seen buying 3-month t-bill after cut off
- Foreign banks were active in longer end G-sec.
- Insurance companies seen selling 10-15-year maturity SDL's.

Corporate Bonds

- 2026 segment is active. MFs were selling and banks and insurance companies were buying.
- Pension funds were buying in the longer segment.

CP/CD

- Activity was seen in the shorter segment.



| 10 Year Benchmarks | 23-Aug | 22-Aug | 18-Aug | 25-Jul |
|--------------------|--------|--------|--------|--------|
| India | 7.19 | 7.22 | 7.21 | 7.10 |
| US | 4.27 | 4.33 | 4.25 | 3.91 |
| South Korea | 3.91 | 3.99 | 3.92 | 3.68 |
| Russia | 11.84 | 11.79 | 11.76 | 11.43 |
| Brazil | 11.23 | 11.23 | 11.23 | 10.80 |
| Germany | 2.54 | 2.66 | 2.62 | 2.40 |
| China | 2.56 | 2.56 | 2.57 | 2.70 |

| Top Traded Securities | Volume | 23-Aug | 22-Aug | 16-Aug | 25-Jul |
|-----------------------|--------|--------|--------|--------|--------|
| 7.26 2033 | 26,390 | 7.19 | 7.22 | #N/A | 7.10 |
| 7.06 2028 | 725 | 7.32 | 7.33 | #N/A | 7.25 |
| 7.62 2039 | - | 7.21 | 7.23 | 0.00 | 7.14 |
| 7.30 2053 | 210 | 7.25 | #N/A | #N/A | #N/A |
| 6.64 2035 | 975 | #N/A | #N/A | #N/A | 7.18 |
| 7.40 2035 | - | #N/A | #N/A | #N/A | 7.21 |

| DEBT | | | |
|-----------|----------------|-------------|----------------|
| | Gross Purchase | Gross Sales | Net Investment |
| MF | | | |
| 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 |

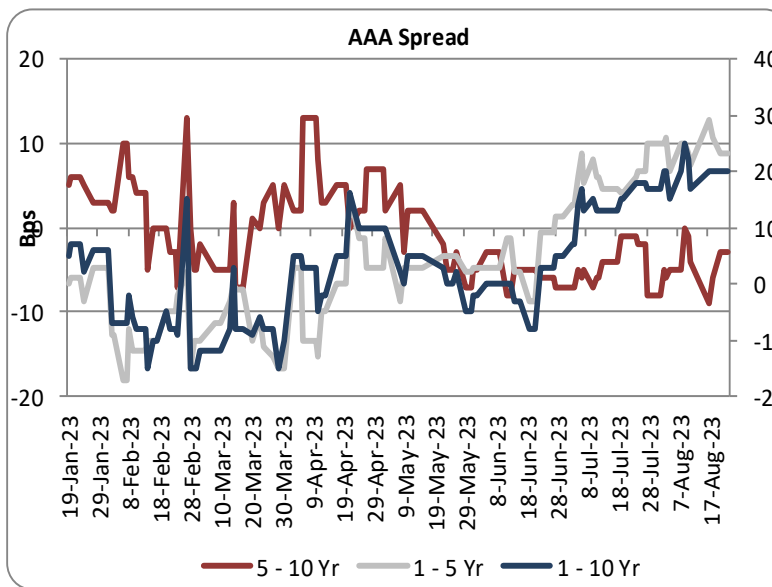
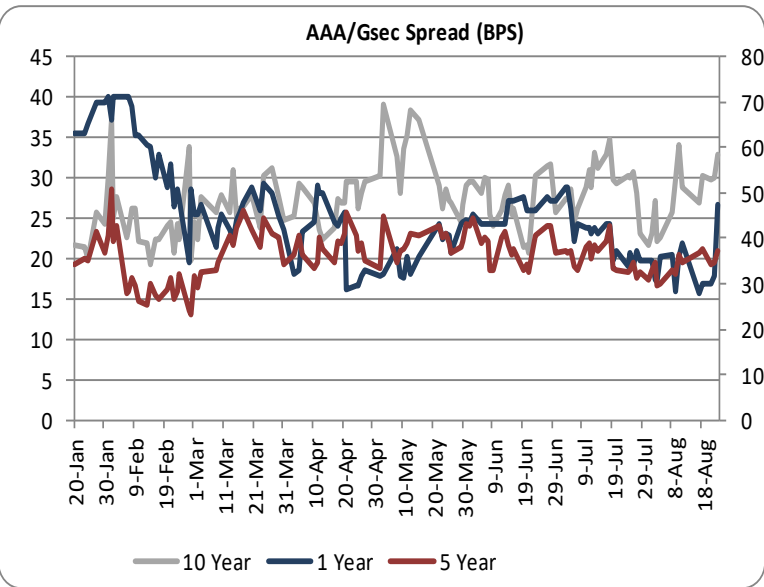
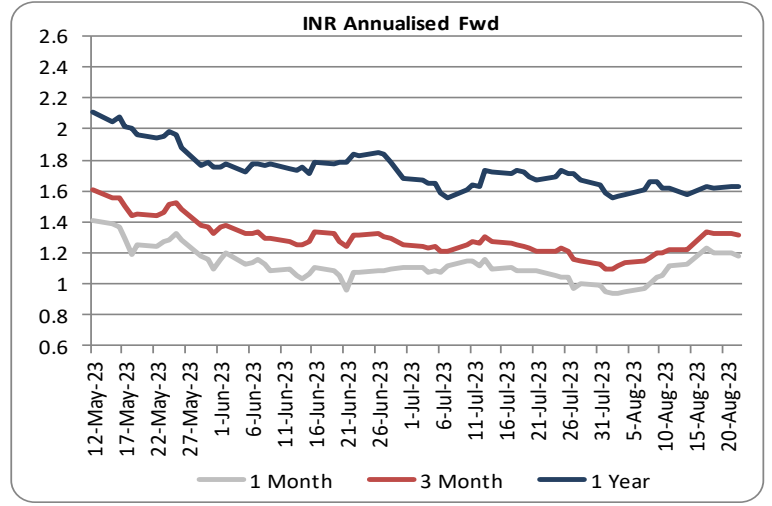
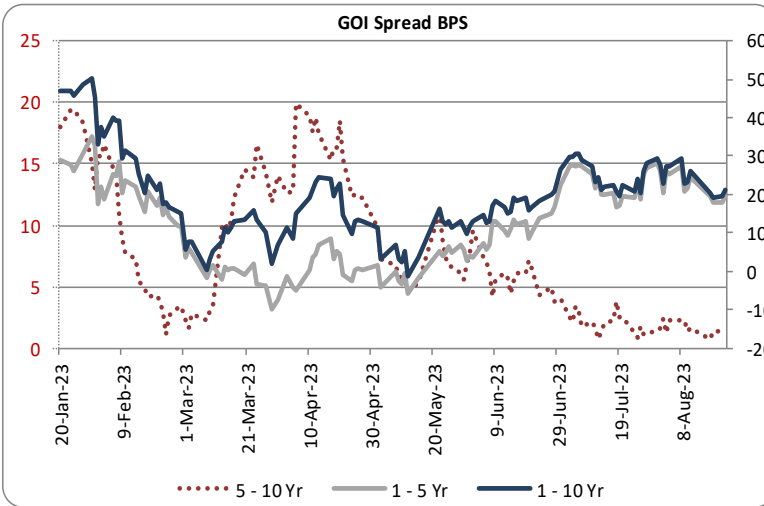
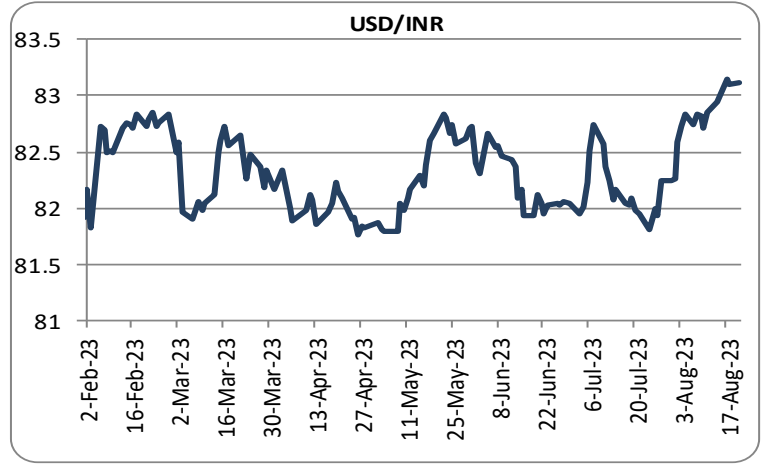
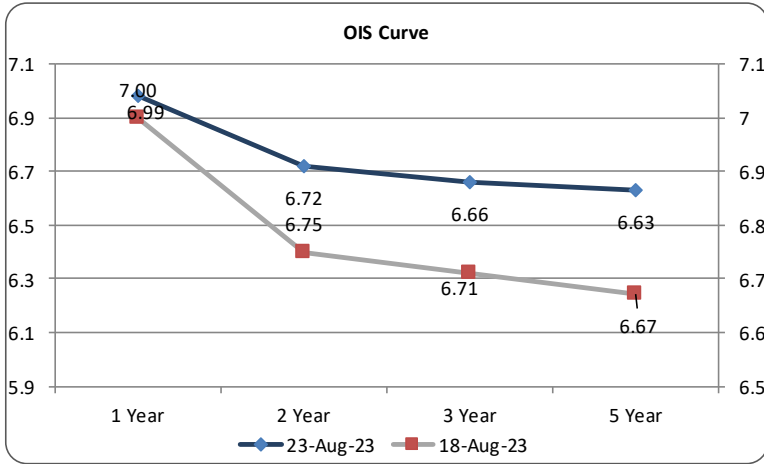
| DEBT | | | |
|------------|----------------|-------------|----------------|
| | Gross Purchase | Gross Sales | Net Investment |
| FII | | | |
| 23-Aug-23 | 936 | 3075 | -2139 |

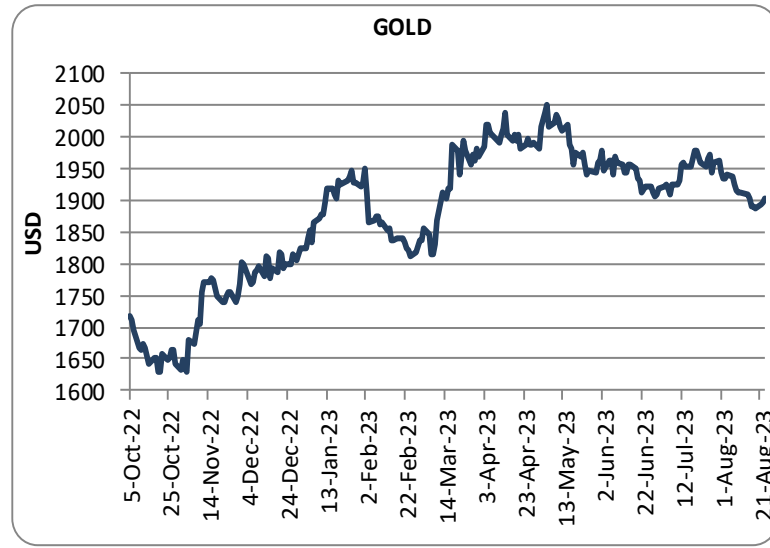
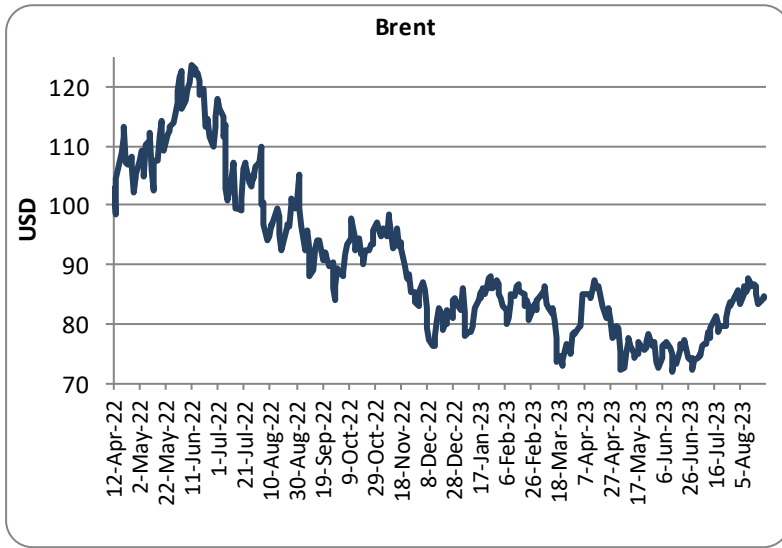
| EQUITY | | | |
|--------|----------------|-------------|----------------|
| | Gross Purchase | Gross Sales | Net Investment |
| | 9114 | 9222 | -109 |

| TOTAL (Rs. Crs) | | | |
|-----------------|----------------|-------------|----------------|
| | Gross Purchase | Gross Sales | Net Investment |
| | 10050 | 12297 | -2248 |

| 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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