



BONDWATCH

Daily

May 26, 2023

INDIA

Indian government bond yields ended largely unchanged on Friday, as well as for the week, as focus shifted from rising banking system liquidity post the central bank's currency withdrawal to a relentless spike in U.S. yields.

The 10-year benchmark 7.26% 2033 bond yield ended at 7.0081%, after closing at 7.0068% in the previous session.

Bond yields fell in the first session of the week, on bets that the Reserve Bank of India's plan to withdraw 2,000-rupee notes will result in a sharp rise in banking system liquidity surplus, which will increase appetite for fixed-income assets.

However, U.S. yields continued their upward momentum amid no breakthrough in debt ceiling discussions, while hawkish comments from Federal Reserve officials added to bearishness. This has pushed the odds of another 25-basis-point rate hike in June to 37%, from nearly 5% at the beginning of May. The Fed has raised rates by 500 bps since March 2022 to 5.00%-5.25%.

Even as U.S. yields continue to rise, Indian 10-year bond yield has remained resilient around 7% level. This has pushed the spread between the two to below 325 bps, a level last seen in August 2009.

Oil prices softened a bit on Friday, weighed on by conflicting messages from Russia and Saudi Arabia ahead of the next OPEC+ policy meeting and a stronger dollar.

The Indian rupee strengthened 0.20% versus the U.S. dollar, and quoted at 82.58 per dollar, as persistent inflows into equities offset the impact from a broadly strong dollar.

Repo: The weighted average call rates in the interbank segment decreased to 6.35% vs 6.36% as on the previous day while that the TREP segment decreased to 6.26% vs 6.28% as on the previous day.

Market Observations

G-sec

- Demand was seen in 30 and 40year G-sec @7.15 centric levels by foreign banks and pension funds.
- Foreign Banks were active in the 3-year G-sec @6.93 centric levels.
- Market opened a bit negative following the US10yr but got taken over the course of the day closing @7.0081 levels.

Corporate Bonds

- Mutual funds were buying in the 2025-26 segment.
- Insurance companies were on the buying side in the longer segment.

CP/CD

- Demand was seen in the 3-month segment.

GOI Yield	26-May	25-May	15-May	26-Apr
1 Year	6.895	6.875	6.970	6.980
5 Year	6.942	6.940	6.953	6.990
10 Year	7.008	7.007	7.006	7.113

AAA Bmk	26-May	25-May	15-May	26-Apr
1 Year	7.38	7.40	7.45	7.42
5 Year	7.43	7.45	7.48	7.50
10 Year	7.50	7.40	7.50	7.52

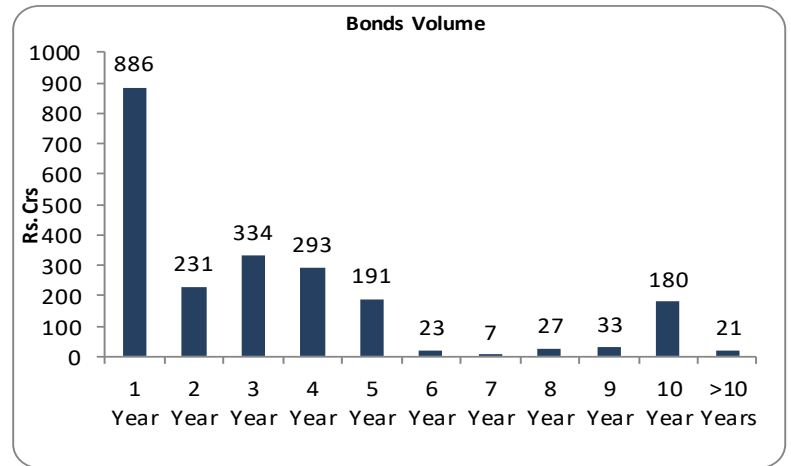
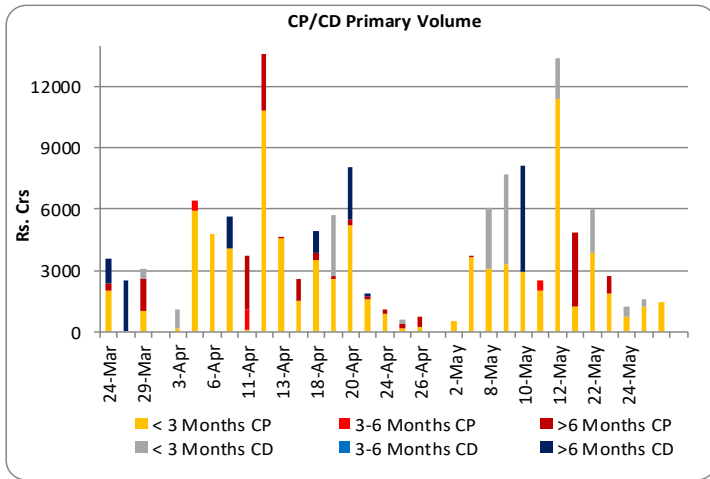
CD	26-May	25-May	15-May	26-Apr
3 Month	6.90	6.90	7.15	7.05
6 Month	7.25	7.25	7.35	7.25
1 Year	7.45	7.45	7.50	7.50

CP	26-May	25-May	15-May	26-Apr
3 Month	7.00	7.00	7.25	7.15
6 Month	7.35	7.35	7.45	7.40
1 Year	7.55	7.55	7.60	7.60

OIS Rate	26-May	25-May	15-May	26-Apr
1 Year	6.56	6.56	6.58	6.55
2 Year	6.23	6.23	6.21	6.15
3 Year	6.11	6.12	6.06	6.03
5 Year	6.08	6.07	6.02	6.00

	26-May	25-May	15-May	26-Apr
Sensex	62,502	61,873	62,346	60,301
Nifty	18,499	18,321	18,399	17,814
USD/INR	82.58	82.74	82.30	81.77
Gold (USD)	1,952	1,940	2,021	1,989
Oil (USD)	76.82	76.26	75.23	77.69

NDF	26-May	25-May	15-May	26-Apr
3 Month	82.92	83.09	82.58	82.17
1 Year	84.14	84.34	83.99	83.65
2 Year	86.25	86.45	86.34	85.94
3 Year	89.11	89.30	89.24	88.74



10 Year Benchmarks	26-May	25-May	15-May	26-Apr
India	7.01	7.01	7.00	7.12
US	3.79	3.82	3.51	3.43
South Korea	3.64	3.60	3.33	3.31
Russia	10.72	10.69	10.68	10.68
Brazil	11.71	11.60	11.93	12.41
Germany	2.51	2.49	2.31	2.39
China	2.72	2.72	2.73	2.81

Top Traded Securities	Volume	26-May	25-May	15-May	26-Apr
5.74 2026	40	6.89	#N/A	6.92	6.95
7.38 2027	-	6.94	6.94	6.95	6.99
7.10 2029	-	6.98	6.99	7.01	7.05
6.54 2032	-	7.06	7.05	7.07	7.17
7.26 2032	#VALUE!	7.05	7.05	7.06	7.15
7.54 2036	-	7.10	7.11	7.10	7.23

DEBT			
	Gross Purchase	Gross Sales	Net Investment
MF			
24-May-23	4198	3689	509

EQUITY			
	Gross Purchase	Gross Sales	Net Investment
	6409	7234	-825

TOTAL (Rs.Crs)			
	Gross Purchase	Gross Sales	Net Investment
	10607	10923	-316

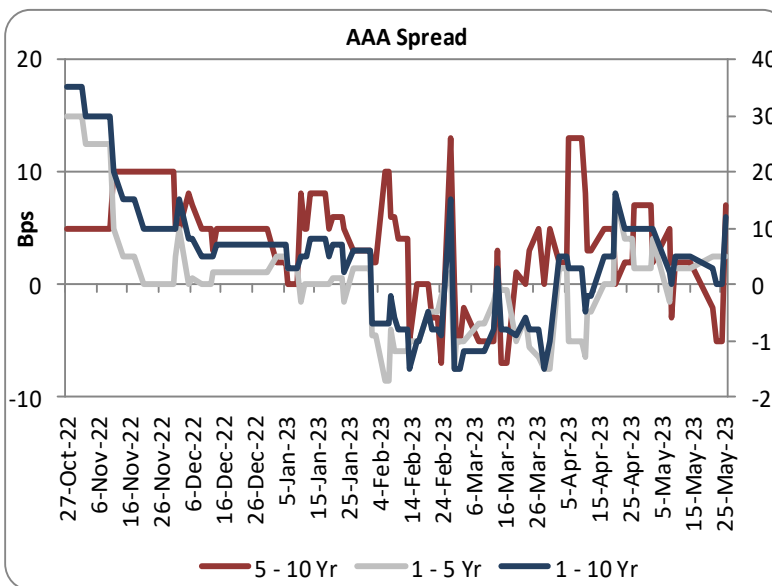
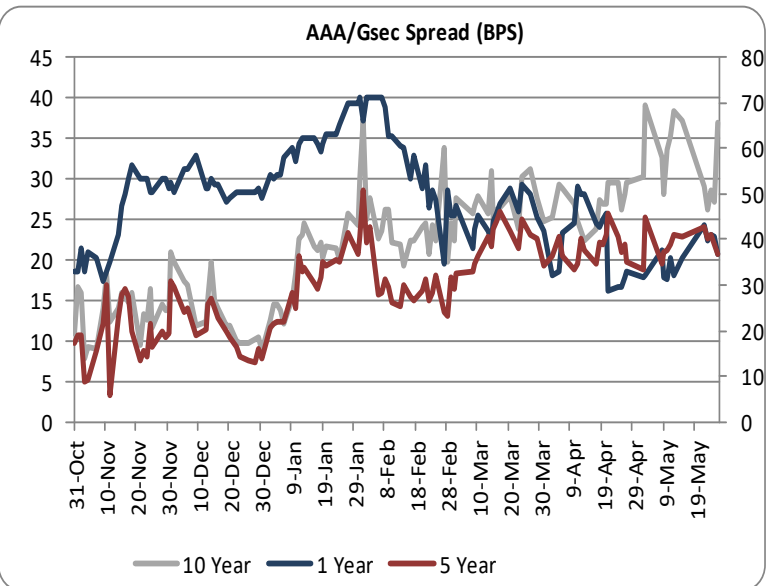
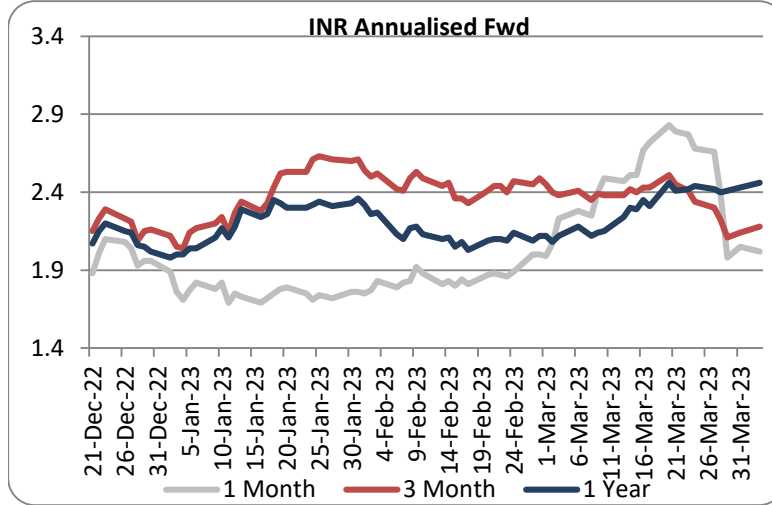
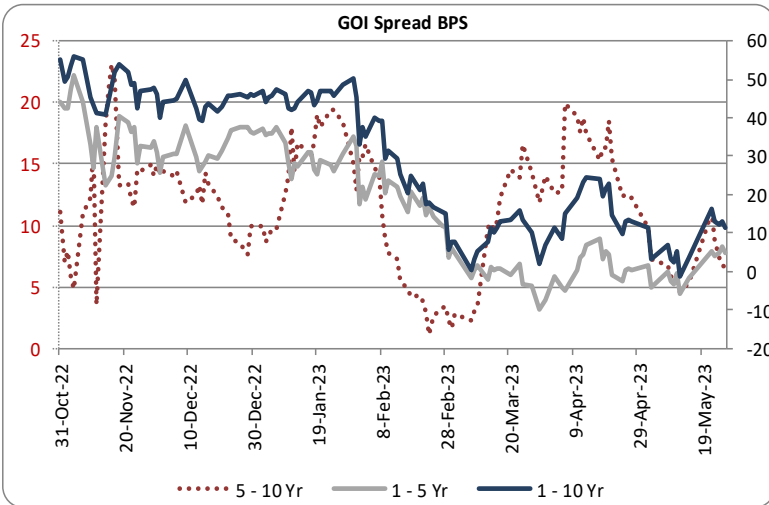
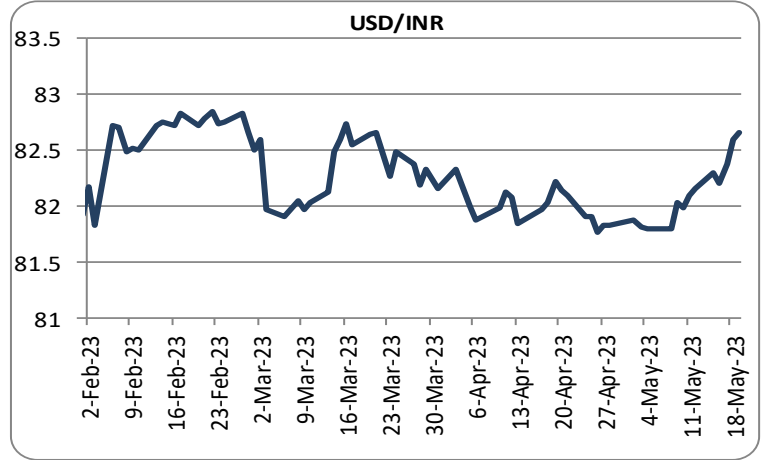
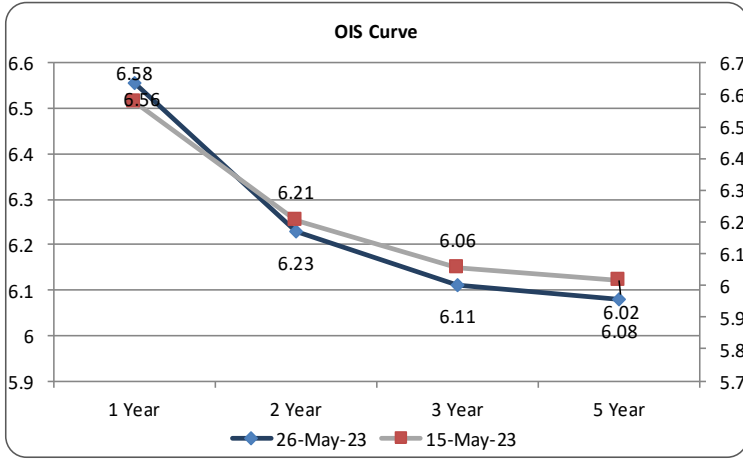
DEBT			
	Gross Purchase	Gross Sales	Net Investment
FII			
26-May-23	1837	691	1147

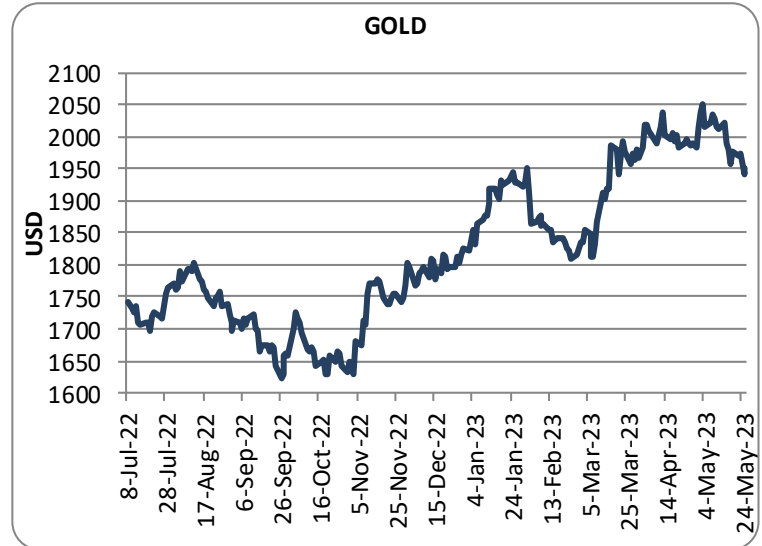
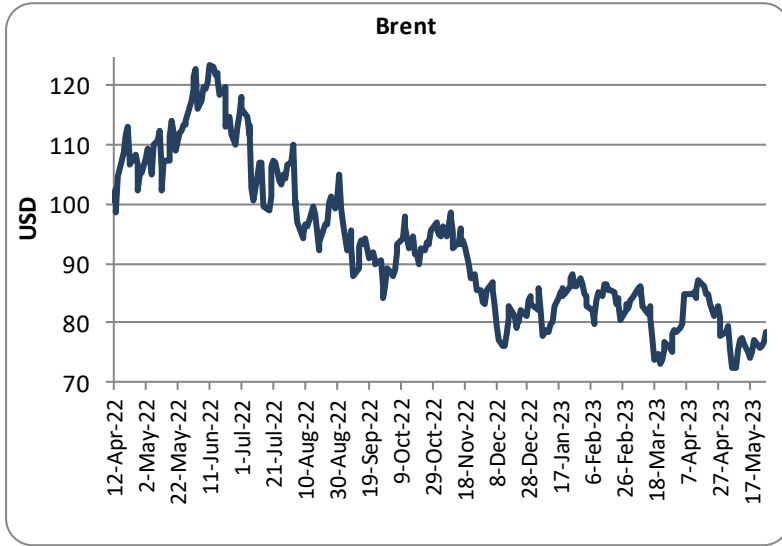
EQUITY			
	Gross Purchase	Gross Sales	Net Investment
	10533	8021	2512

TOTAL (Rs. Crs)			
	Gross Purchase	Gross Sales	Net Investment
	12371	8712	3658

INDICATORS	PERIOD	ACTUAL	PRIOR
GDP Quaterly (%)	Dec-22	4.4	6.3
CAD (\$ Bn)	Dec-22	-18.2	-30.9
Trade Deficit (\$ Bn)	Dec-22	-72.7	-78.3
WPI (%)	Apr-23	-0.9	1.3
CPI (%)	Apr-23	4.7	5.7
IIP (%)	Mar-23	1.1	5.6
PMI Manufacturing	Apr-23	57.2	56.4
PMI Service	Apr-23	62	57.8

Economic Calender	Country	Date	Poll	Prior
Unemployment Rate	Japan	45076	0	2.8
GDP YY	Switzerland	30-May-23	-	0.80
CPI	Germany	31-May-23	-	7.20
Industrial Output	Russia	31-May-23	5.30	1.20
GDP YY	Brazil	02-Jun-23	-	1.90
Retail Sales	Euro Zone	06-Jun-23	-	(3.80)
GDP YY	South Africa	06-Jun-23	-	0.90
Industrial Output	Germany	07-Jun-23	-	1.56





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

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