



# BONDWATCH

INDIA

Daily

August 31, 2023

Indian government bond yields ended largely unchanged on Thursday amid choppy trading in August, with the benchmark bond yield flattish after rising in the previous two months, while investors look ahead for cues on inflation and liquidity in September.

The benchmark 7.26% 2033 bond yield ended at 7.1655%, after closing the previous session at 7.1850%. The yield ended flat in August, after rising by an aggregate of 19 basis points in June-July.

Earlier this month, bond yields rose, tracking a spike in U.S. yields, with the 10-year U.S. yield jumping to its highest level in nearly 16 years. However, U.S. yields eased amid subdued economic data that diminished the odds of interest rates remaining higher for longer.

The domestic benchmark bond yield hit a near four-month high of 7.26%, but eased as the month progressed. The Reserve Bank of India paused interest rates in August for the third consecutive time but raised the inflation forecast for the quarter as well as the year.

India's retail inflation spiked to a 15-month high of 7.44% in July from 4.87% in June. Inflation will remain above the RBI's upper tolerance band at least until October.

The central bank also mandated banks to maintain an incremental cash reserve ratio on increase in deposits from May 19 to July 28, leading to withdrawal of over one trillion rupees (\$12.09 billion) from the banking system, which pushed the liquidity into deficit for the first time this fiscal.

The RBI will take a decision on this move on or before Sept. 8, and this will guide the liquidity position in the market in a month that is heavy on tax outflows.

The Indian rupee weakened 0.07% versus the U.S. dollar, and quoted at 82.76 per dollar tracking Asian peers.

Repo: The weighted average call rates in the interbank segment decreased to 6.58% vs 6.72% as on the previous day while that the TREP segment decreased to 6.62% vs 6.69% as on the previous day.

## Market Observations

### G-sec

- Demand was seen in 1month t-bill at 6.65 levels by corporate and NBFCs.
- Demand was seen in 3-month and 6-month assets by Mutual funds @6.80 and 7.00 centric levels.

### Corporate Bonds

- Mutual funds were active in the 2025-2026-year segment.

### CP/CD

- Demand was seen in the 3-month segment.

| GOI Yield | 31-Aug | 30-Aug | 24-Aug | 1-Aug |
|-----------|--------|--------|--------|-------|
| 1 Year    | 7.000  | 6.990  | 7.045  | 6.883 |
| 5 Year    | 7.158  | 7.181  | 7.183  | 7.143 |
| 10 Year   | 7.166  | 7.185  | 7.196  | 7.160 |

| AAA Bmk | 31-Aug | 30-Aug | 24-Aug | 1-Aug |
|---------|--------|--------|--------|-------|
| 1 Year  | 7.45   | 7.45   | 7.45   | 7.35  |
| 5 Year  | 7.64   | 7.64   | 7.68   | 7.60  |
| 10 Year | 7.62   | 7.62   | 7.65   | 7.52  |

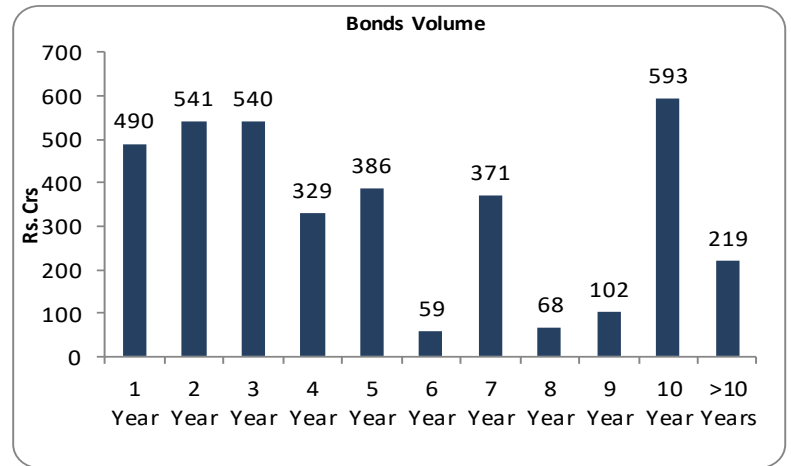
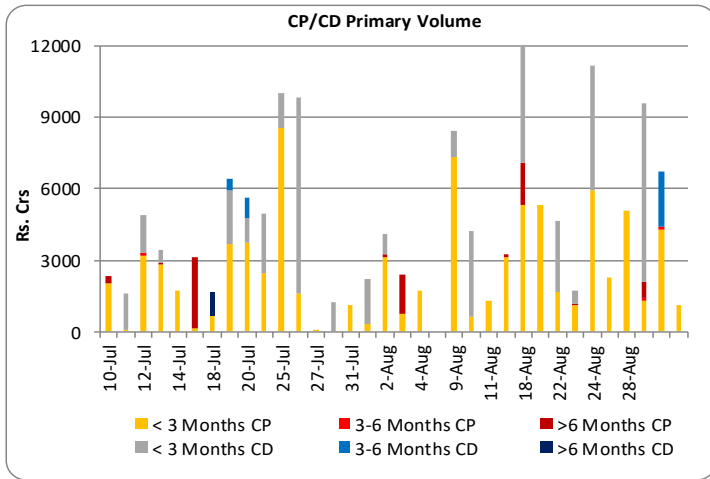
| CD      | 31-Aug | 30-Aug | 24-Aug | 1-Aug |
|---------|--------|--------|--------|-------|
| 3 Month | 7.05   | 7.05   | 7.03   | 6.95  |
| 6 Month | 7.25   | 7.25   | 7.25   | 7.20  |
| 1 Year  | 7.50   | 7.50   | 7.50   | 7.50  |

| CP      | 31-Aug | 30-Aug | 24-Aug | 1-Aug |
|---------|--------|--------|--------|-------|
| 3 Month | 7.10   | 7.10   | 7.15   | 7.05  |
| 6 Month | 7.35   | 7.35   | 7.35   | 7.30  |
| 1 Year  | 7.60   | 7.60   | 7.60   | 7.60  |

| OIS Rate | 31-Aug | 30-Aug | 24-Aug | 1-Aug |
|----------|--------|--------|--------|-------|
| 1 Year   | 6.96   | 6.97   | 6.98   | 6.83  |
| 2 Year   | 6.67   | 6.68   | 6.70   | 6.59  |
| 3 Year   | 6.62   | 6.63   | 6.66   | 6.52  |
| 5 Year   | 6.57   | 6.57   | 6.60   | 6.46  |

|            | 31-Aug | 30-Aug | 24-Aug | 1-Aug  |
|------------|--------|--------|--------|--------|
| Sensex     | 64,831 | 65,087 | 65,252 | 66,459 |
| Nifty      | 19,254 | 19,347 | 19,387 | 19,734 |
| USD/INR    | 82.79  | 82.73  | 82.57  | 82.26  |
| Gold (USD) | 1,943  | 1,942  | 1,917  | 1,944  |
| Oil (USD)  | 86.50  | 85.86  | 83.36  | 84.91  |

| NDF     | 31-Aug | 30-Aug | 24-Aug | 1-Aug |
|---------|--------|--------|--------|-------|
| 3 Month | 83.04  | 83.05  | 82.87  | 82.57 |
| 1 Year  | 84.09  | 84.22  | 83.96  | 83.60 |
| 2 Year  | 86.45  | 86.36  | 86.10  | 85.66 |
| 3 Year  | 89.22  | 89.01  | 88.75  | 88.32 |



| 10 Year Benchmarks | 31-Aug | 30-Aug | 24-Aug | 1-Aug |
|--------------------|--------|--------|--------|-------|
| India              | 7.16   | 7.19   | 7.19   | 7.16  |
| US                 | 4.10   | 4.12   | 4.24   | 4.05  |
| South Korea        | 3.82   | 3.85   | 3.88   | 3.72  |
| Russia             | 12.03  | 12.01  | 11.93  | 11.53 |
| Brazil             | 10.98  | 10.98  | 11.16  | 10.86 |
| Germany            | 2.49   | 2.54   | 2.52   | 2.52  |
| China              | 2.59   | 2.59   | 2.55   | 2.69  |

| Top Traded Securities | Volume | 29-Aug | 28-Aug | 22-Aug | 31-Jul |
|-----------------------|--------|--------|--------|--------|--------|
| 7.26 2033             | 21,265 | 7.18   | 7.18   | 7.22   | 7.17   |
| 7.06 2028             | 1,425  | 7.28   | 7.29   | 7.33   | 7.31   |
| 7.62 2039             | -      | 7.20   | 7.19   | 7.23   | 7.21   |
| 7.30 2053             | 495    | 7.34   | 7.35   | 7.37   | 7.37   |
| 6.64 2035             | 915    | 7.22   | 7.26   | 7.28   | 7.30   |
| 7.40 2035             | -      | 7.25   | 7.24   | 7.28   | 7.33   |

| DEBT      |                |             |                |
|-----------|----------------|-------------|----------------|
|           | Gross Purchase | Gross Sales | Net Investment |
| <b>MF</b> |                |             |                |
| 23-Aug-23 | 5219           | 4778        | 441            |

| EQUITY |                |             |                |
|--------|----------------|-------------|----------------|
|        | Gross Purchase | Gross Sales | Net Investment |
|        | 8538           | 8569        | -31            |

| TOTAL (Rs.Crs) |                |             |                |
|----------------|----------------|-------------|----------------|
|                | Gross Purchase | Gross Sales | Net Investment |
|                | 13757          | 13346       | 410            |

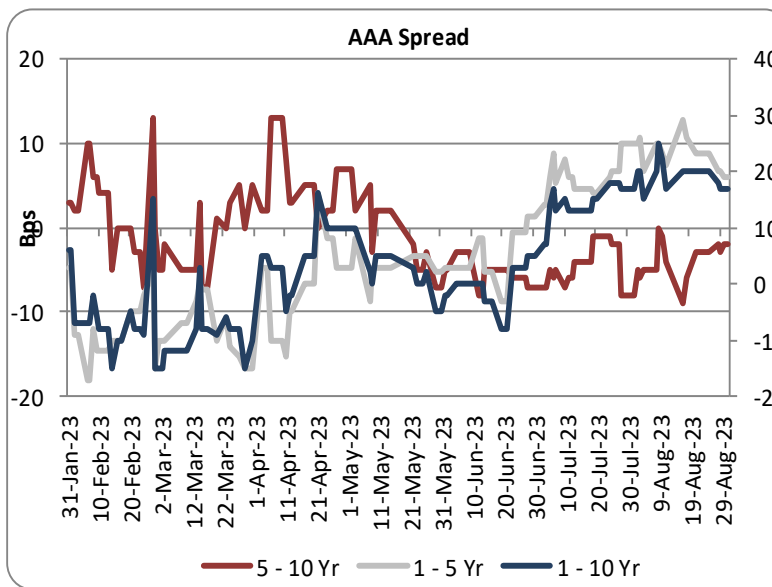
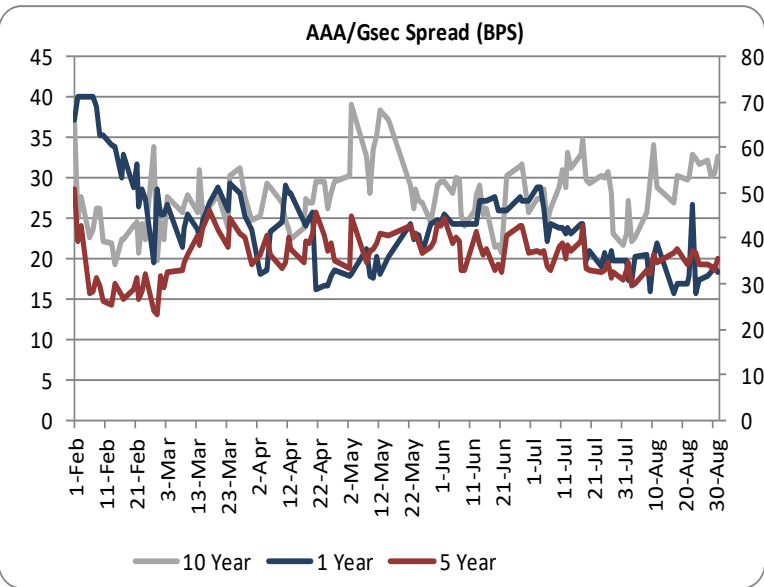
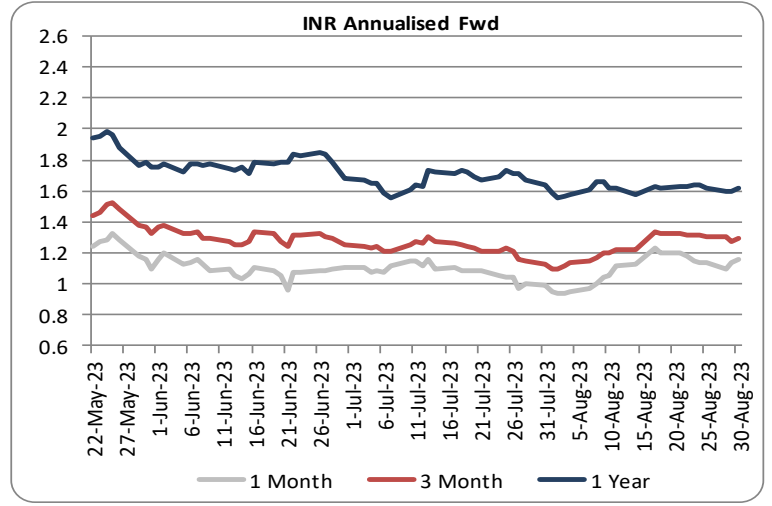
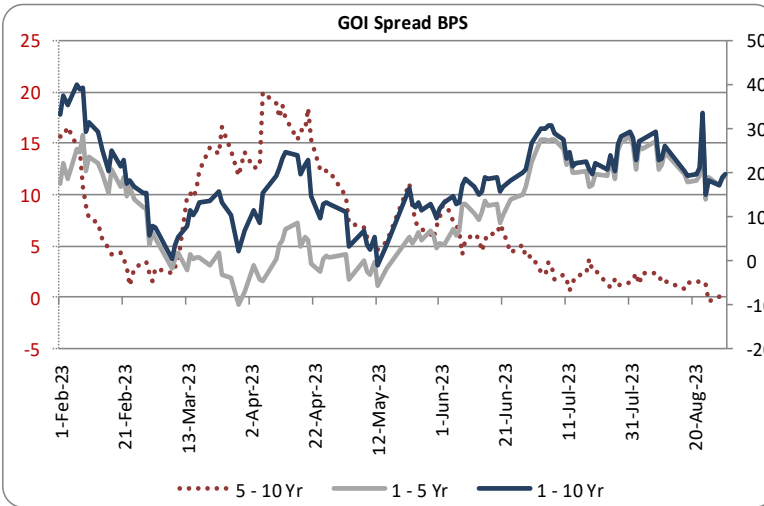
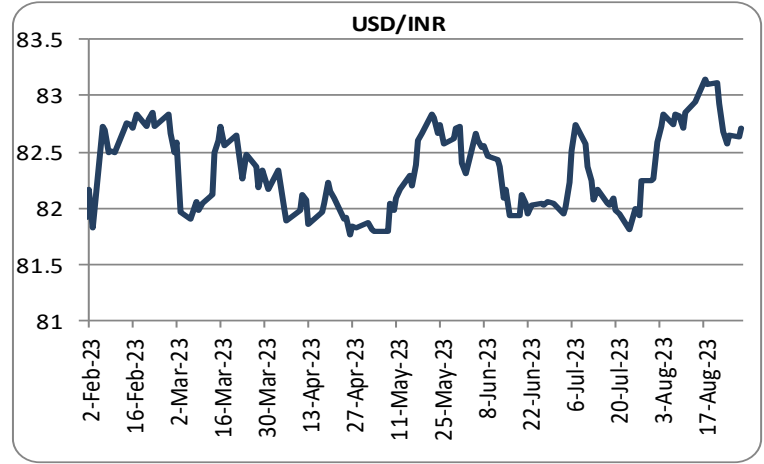
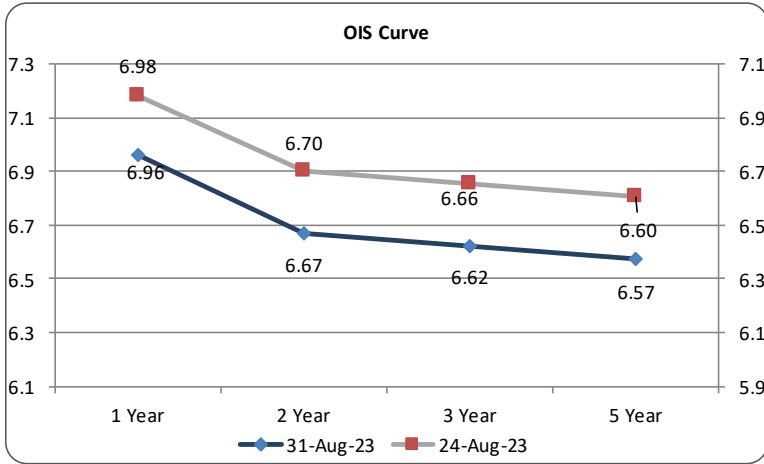
| DEBT       |                |             |                |
|------------|----------------|-------------|----------------|
|            | Gross Purchase | Gross Sales | Net Investment |
| <b>FII</b> |                |             |                |
| 31-Aug-23  | 408            | 380         | 29             |

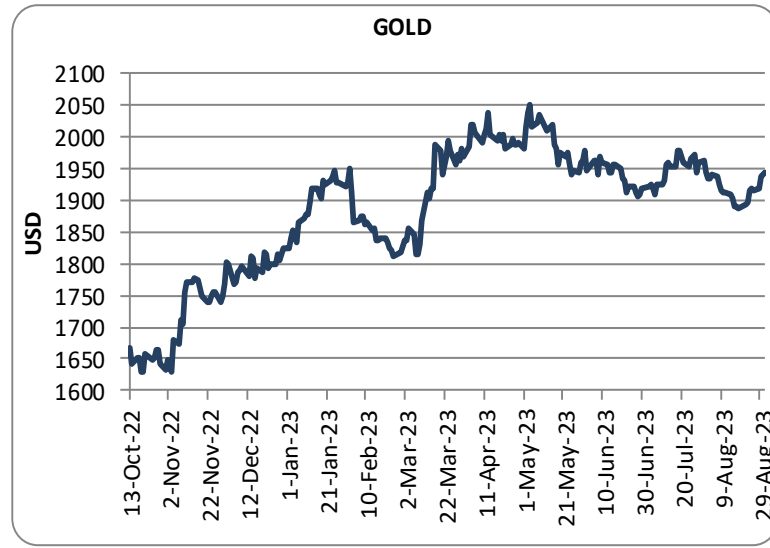
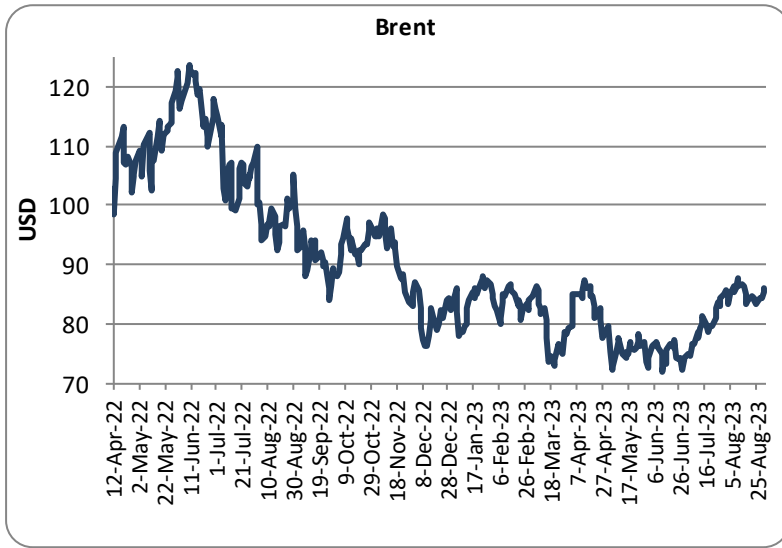
| EQUITY |                |             |                |
|--------|----------------|-------------|----------------|
|        | Gross Purchase | Gross Sales | Net Investment |
|        | 10365          | 10355       | 10             |

| TOTAL (Rs. Crs) |                |             |                |
|-----------------|----------------|-------------|----------------|
|                 | Gross Purchase | Gross Sales | Net Investment |
|                 | 10773          | 10735       | 38             |

| 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  |
|-----------------------|-----------|-----------|------|--------|
| GDP                   | Brazil    | 1-Sep-23  | 2.7  | 4      |
| Industrial Output     | Brazil    | 05-Sep-23 | -    | 0.30   |
| Real GDP              | Australia | 06-Sep-23 | -    | 2.30   |
| Retail Sales          | Euro Zone | 06-Sep-23 | -    | (1.40) |
| Industrial Production | Germany   | 07-Sep-23 | -    | (1.83) |
| CPI                   | Germany   | 08-Sep-23 | -    | 6.10   |
| CPI                   | China     | 09-Sep-23 | -    | (0.30) |
| CPI                   | India     | 12-Sep-23 | -    | 7.44   |





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

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

The information in this document has been printed based on publicly available information, internal data and other reliable sources believed to be true and is for general guidance only. While every effort is made to ensure the accuracy and completeness of information contained, the company makes no guarantee and assumes no liability for any errors or omissions of the information. No one can use the information as the basis for any claim, demand, or cause of action. Nothing contained in this publication shall constitute an offer to sell/purchase or an invitation/solicitation to do so for any Government Security, Currency, Security, and Equity. LKP Securities Ltd. accepts no liability whatsoever for any loss, howsoever arising, from any use of this document, its contents or otherwise arising in connection therewith.

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

Visit our website - <http://www.lkpsec.com/>