



BONDWATCH

INDIA

Daily

July 31, 2023

Indian government bond yields rose for a third consecutive session on Monday, leading the benchmark yield higher for a second straight month, on fears that local inflation may spike again.

The benchmark 7.26% 2033 bond yield ended at 7.1746%, after ending the previous session at 7.1614%. The yield rose six basis points (bps) in July, after having risen 13 bps in June.

The benchmark yield had dropped to 7.05% in mid-July but changed course after the Federal Reserve raised interest rates by 25 bps and signaled another hike this year.

With Fed indicating that their rate hike cycle has not ended, and food and vegetable prices indicating that (India's) inflation will spike again in July, it does not bode well for local bonds as the rate hike cycle is not yet over.

While the market is not convinced of another Fed hike this year -- the odds of which are just 20% -- market participants expect rates to remain high for a longer period of time.

Market participants also remain worried about rising local inflation which could force the RBI into a hawkish stance at its policy meeting on Aug. 10.

India's retail inflation jumped to 4.81% in June, after easing for four months. Economists estimate inflation topped 6% in July, breaching the upper end of the RBI's medium-term target. While the RBI is holding rates, it has stressed it intends to reach an inflation target of 4%.

The Indian rupee was flat versus the U.S. dollar, and quoted at 82.25 per dollar, in a data-heavy week that will help investors assess the outlook for U.S. monetary policy.

Repo: The weighted average call rates in the interbank segment increased to 6.52% vs 6.48% as on the previous day while that the TREP segment decreased to 6.37% vs 6.54% as on the previous day.

Market Observations

G-sec

- Market got given during the course of the day and ended at 7.1746 levels.
- Demand was seen in 30-year G-sec around 7.37 levels by pension fund and life insurance companies.
- Demand was seen in 2025 SDLs by bank and PD's at 7.30 centric level

Corporate Bonds

- Mutual funds were seen buying 2025-26 segment papers.
- Activity was seen in the 5-year segment by market participants.

CP/CD

- Major activity was seen in the 3-month segment.

GOI Yield	31-Jul	28-Jul	24-Jul	30-Jun
1 Year	6.880	6.880	6.865	6.850
5 Year	7.161	7.149	7.059	7.076
10 Year	7.175	7.161	7.072	7.117

AAA Bmk	31-Jul	28-Jul	24-Jul	30-Jun
1 Year	7.35	7.35	7.32	7.45
5 Year	7.60	7.60	7.51	7.57
10 Year	7.52	7.52	7.50	7.50

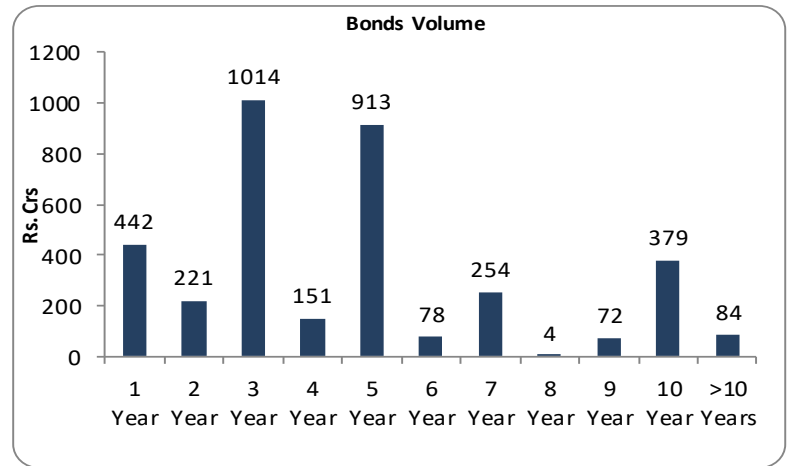
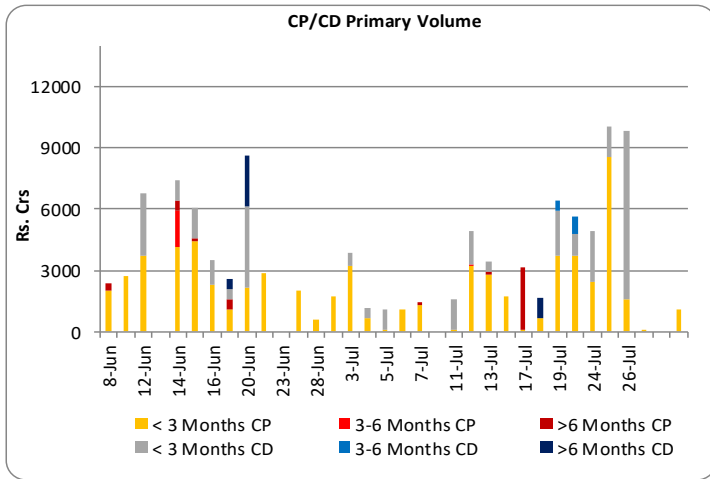
CD	31-Jul	28-Jul	24-Jul	30-Jun
3 Month	6.95	6.95	6.95	6.95
6 Month	7.20	7.20	7.18	7.20
1 Year	7.50	7.45	7.45	7.45

CP	31-Jul	28-Jul	24-Jul	30-Jun
3 Month	7.05	7.10	7.10	7.10
6 Month	7.30	7.30	7.28	7.30
1 Year	7.60	7.55	7.60	7.55

OIS Rate	31-Jul	28-Jul	24-Jul	30-Jun
1 Year	6.86	6.87	6.79	6.74
2 Year	6.62	6.64	6.49	6.45
3 Year	6.55	6.53	6.36	6.36
5 Year	6.51	6.50	6.30	6.30

	31-Jul	28-Jul	24-Jul	30-Jun
Sensex	66,528	66,160	66,385	64,719
Nifty	19,754	19,646	19,672	19,189
USD/INR	82.25	82.25	81.82	82.04
Gold (USD)	1,959	1,959	1,955	1,920
Oil (USD)	85.55	84.99	82.74	74.90

NDF	31-Jul	28-Jul	24-Jul	30-Jun
3 Month	82.49	82.53	82.15	82.29
1 Year	83.50	83.62	83.16	83.40
2 Year	85.78	85.72	85.24	85.38
3 Year	88.45	88.39	87.89	88.03



10 Year Benchmarks	31-Jul	28-Jul	24-Jul	30-Jun
India	7.18	7.16	7.07	7.11
US	3.97	3.97	3.86	3.82
South Korea	3.76	3.73	3.64	3.70
Russia	11.52	11.46	11.45	11.19
Brazil	10.99	10.92	10.85	10.67
Germany	2.47	2.46	2.39	2.39
China	2.70	2.69	2.65	2.68

Top Traded Securities	Volume	31-Jul	28-Jul	24-Jul	30-Jun
5.74 2026	305	7.15	7.13	#N/A	7.07
7.38 2027	-	7.16	7.15	7.06	7.08
7.10 2029	-	7.19	7.17	7.09	7.12
6.54 2032	-	7.21	7.20	7.12	7.15
7.26 2032	#VALUE!	7.21	7.19	7.11	7.15
7.54 2036	5	7.27	7.25	7.18	7.24

DEBT			
	Gross Purchase	Gross Sales	Net Investment
MF			
13-Jul-23	3129	3066	63

EQUITY			
	Gross Purchase	Gross Sales	Net Investment
	2563	2128	435

TOTAL (Rs.Crs)			
	Gross Purchase	Gross Sales	Net Investment
	5691	5193	498

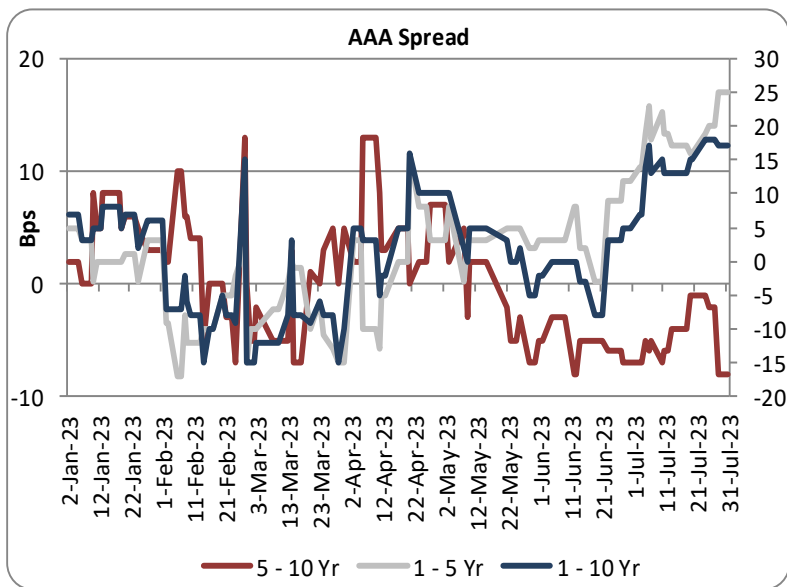
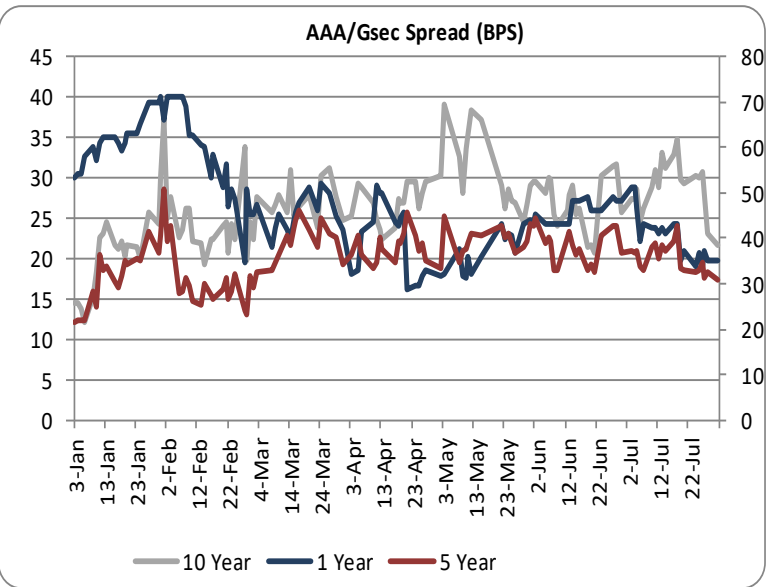
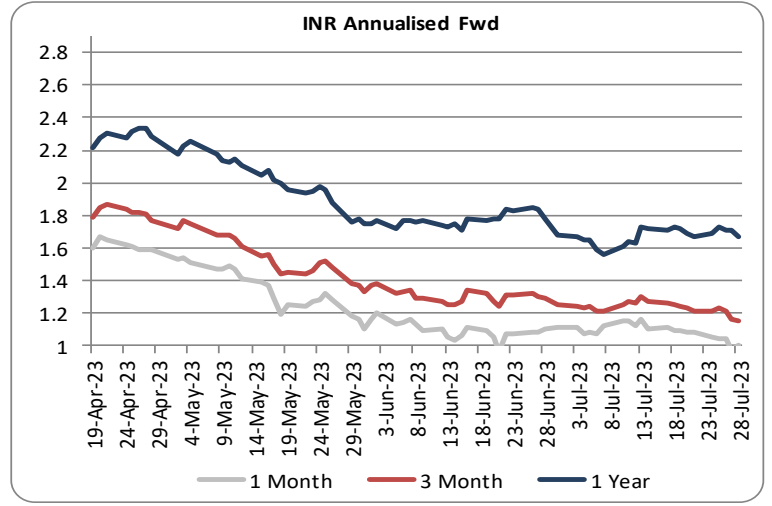
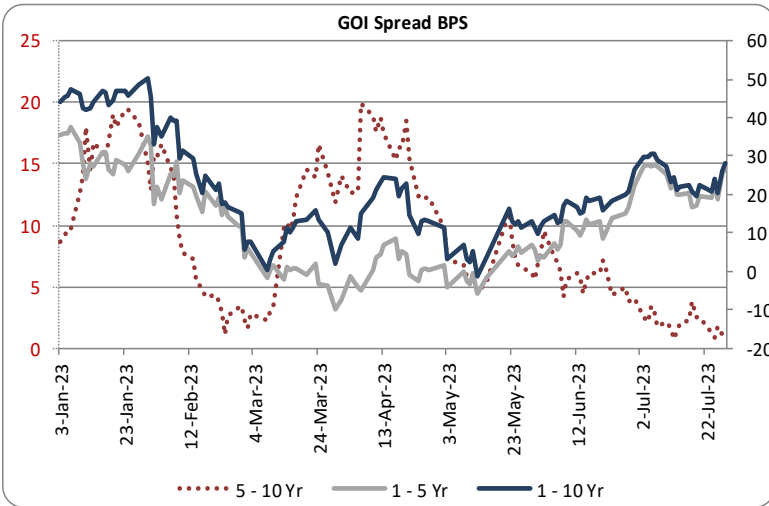
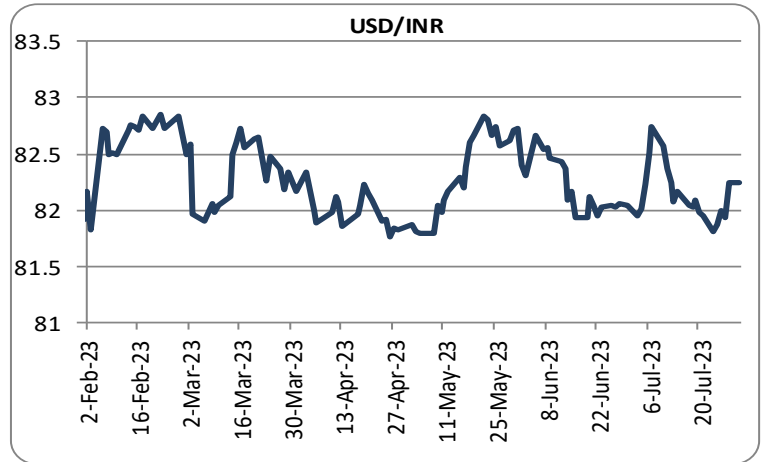
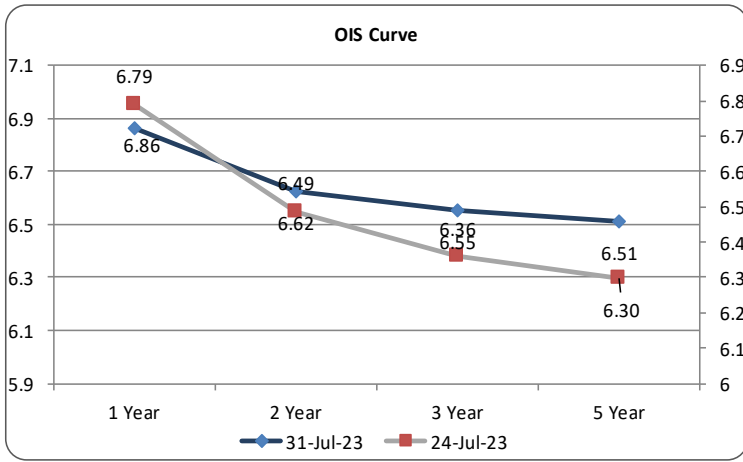
DEBT			
	Gross Purchase	Gross Sales	Net Investment
FII			
31-Jul-23	553	167	386

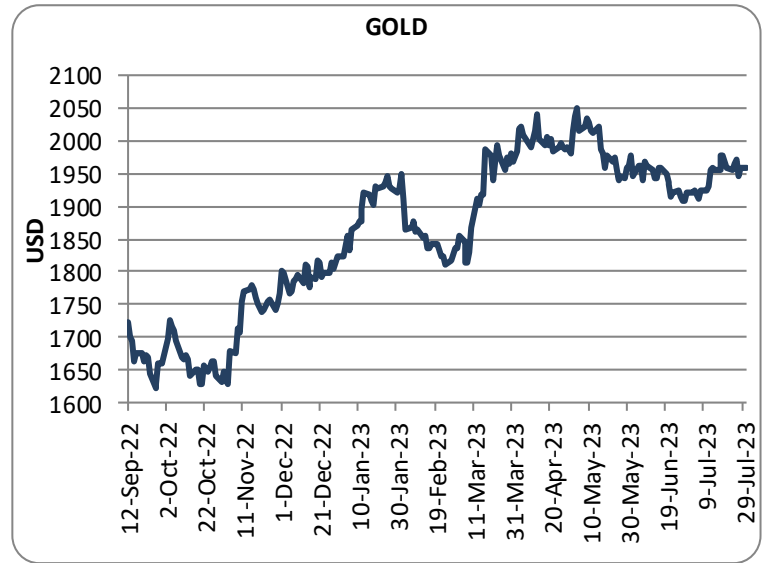
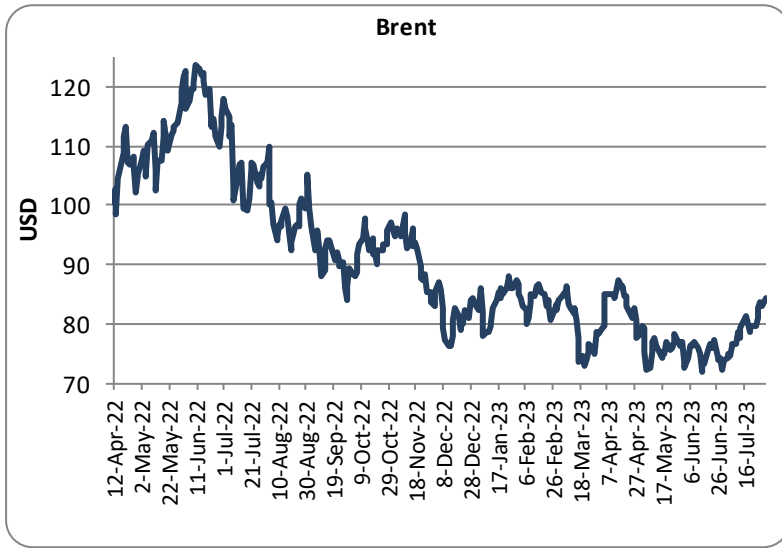
EQUITY			
	Gross Purchase	Gross Sales	Net Investment
	11934	10682	1252

TOTAL (Rs. Crs)			
	Gross Purchase	Gross Sales	Net Investment
	12487	10849	1638

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 (%)	Jun-23	-4.1	-3.5
CPI (%)	Jun-23	4.8	4.3
IIP (%)	May-23	5.2	4.2
PMI Manufacturing	Jun-23	57.8	58.7
PMI Service	Jun-23	58.5	61.2

Economic Calender	Country	Date	Poll	Prior
Unemployment Rate	Japan	1-Aug-23	2.5	2.6
Unemployment Rate	Euro Zone	01-Aug-23	6.50	6.50
CPI	Switzerland	03-Aug-23	1.60	1.70
BOE Bank Rate	UK	03-Aug-23	5.25	5.00
Unemployment Rate	USA	04-Aug-23	3.60	3.60
GDP	Indonesia	08-Aug-23	-	5.03
Exports	China	08-Aug-23	-	(12.40)
Imports	China	08-Aug-23	-	(6.80)





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

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

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

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