



# BONDWATCH

Daily

October 31, 2023

INDIA

Indian government bond yields jumped in October, with the benchmark bond yield posting its biggest monthly rise in a year, as the central bank shocked the market with its plan to sell bonds via auctions, while U.S. yields rose for the sixth consecutive month.

The 10-year benchmark bond yield ended at 7.3558% after closing at 7.3701% in the previous session.

Bond yields jumped after the Reserve Bank of India on Oct. 6 said it planned to sell bonds via open market operations to absorb liquidity.

Yields stayed elevated through the month due to the uncertainty about the timing of debt sale, especially as the RBI has stepped up bond sales via screen-based trades. The market expects around 500 billion rupees of OMO sales this quarter.

Banking system liquidity stayed in deficit for the most part of the month, which could be one of the reasons for the central bank to not start with debt sales immediately.

Meanwhile, U.S. yields rose on increasing bets that interest rates would remain higher for longer. The 10-year Treasury yield was set to post the sixth consecutive monthly jump. It was at 4.83%, up 26 bps for October, after rising an aggregate of 112 bps in the last five months.

Market participants are also eyeing the Federal Reserve policy, wherein the U.S. central bank is expected to keep rates unchanged, but commentary from Chair Jerome Powell will be critical for further moves.

The Indian rupee was flat at 83.26 per U.S. dollar after holding in a narrow range through the session as buoyant dollar demand squared off against expectations the central bank will prevent further weakness in the local currency.

Repo: The weighted average call rates in the interbank segment increased to 6.78% vs 6.77% as on the previous day while that the TREP segment remained the same at 6.76% vs 6.76% as on the previous day.

## Market Observations

### G-sec

- Selling was seen in 8 to 11-year G-sec by Mutual funds and Life insurance companies @7.41 to 7.46 levels. Major buyers were foreign banks.
- SDL cut off was above market expectation. It was 4 to 5 bps above market expectation specially in 8-year maturity where there was very limited demand

### Corporate Bonds

- Market was active in the 2024-25 segment.
- Pension funds and insurance companies were active in the longer segment.

### CP/CD

- Activity was seen in the 1-3-month segment.

| GOI Yield | 31-Oct | 30-Oct | 23-Oct | 3-Oct |
|-----------|--------|--------|--------|-------|
| 1 Year    | 7.154  | 7.149  | 7.115  | 7.003 |
| 5 Year    | 7.343  | 7.361  | 7.385  | 7.254 |
| 10 Year   | 7.356  | 7.370  | 7.382  | 7.233 |

| AAA Bmk | 31-Oct | 30-Oct | 23-Oct | 3-Oct |
|---------|--------|--------|--------|-------|
| 1 Year  | 7.60   | 7.60   | 7.60   | 7.68  |
| 5 Year  | 7.83   | 7.83   | 7.82   | 7.70  |
| 10 Year | 7.78   | 7.78   | 7.78   | 7.63  |

| CD      | 31-Oct | 30-Oct | 23-Oct | 3-Oct |
|---------|--------|--------|--------|-------|
| 3 Month | 7.30   | 7.30   | 7.20   | 7.05  |
| 6 Month | 7.50   | 7.50   | 7.45   | 7.35  |
| 1 Year  | 7.70   | 7.70   | 7.70   | 7.55  |

| CP      | 31-Oct | 30-Oct | 23-Oct | 3-Oct |
|---------|--------|--------|--------|-------|
| 3 Month | 7.40   | 7.40   | 7.30   | 7.15  |
| 6 Month | 7.60   | 7.60   | 7.55   | 7.40  |
| 1 Year  | 7.80   | 7.80   | 7.80   | 7.65  |

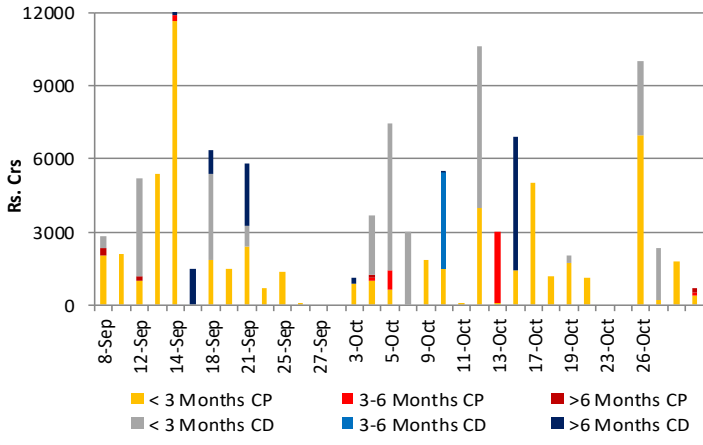
| OIS Rate | 31-Oct | 30-Oct | 23-Oct | 3-Oct |
|----------|--------|--------|--------|-------|
| 1 Year   | 6.94   | 6.96   | 7.00   | 7.11  |
| 2 Year   | 6.69   | 6.72   | 6.80   | 6.90  |
| 3 Year   | 6.69   | 6.70   | 6.80   | 6.88  |
| 5 Year   | 6.69   | 6.72   | 6.81   | 6.86  |

|            | 31-Oct | 30-Oct | 23-Oct | 3-Oct  |
|------------|--------|--------|--------|--------|
| Sensex     | 63,875 | 64,113 | 64,572 | 65,512 |
| Nifty      | 19,080 | 19,141 | 19,282 | 19,529 |
| USD/INR    | 83.25  | 83.25  | 83.19  | 83.21  |
| Gold (USD) | 1,999  | 1,996  | 1,973  | 1,823  |
| Oil (USD)  | 88.00  | 87.45  | 89.83  | 90.92  |

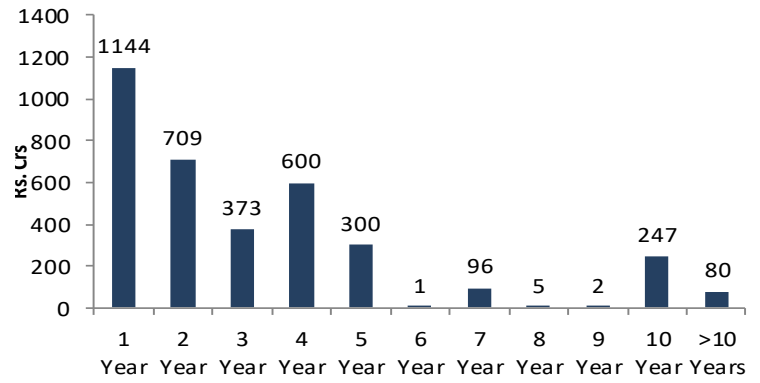
| NDF     | 31-Oct | 30-Oct | 23-Oct | 3-Oct |
|---------|--------|--------|--------|-------|
| 3 Month | 83.51  | 83.55  | 83.40  | 83.64 |
| 1 Year  | 84.60  | 84.71  | 84.56  | 84.79 |
| 2 Year  | 86.81  | 86.77  | 86.59  | 86.90 |
| 3 Year  | 89.31  | 89.12  | 88.89  | 89.70 |



CP/CD Primary Volume



Bonds Volume



| 10 Year Benchmarks | 31-Oct | 30-Oct | 23-Oct | 3-Oct |
|--------------------|--------|--------|--------|-------|
| India              | 7.36   | 7.37   | 7.38   | 7.24  |
| US                 | 4.84   | 4.88   | 4.84   | 4.80  |
| South Korea        | 4.33   | 4.32   | 4.37   | 4.03  |
| Russia             | 12.63  | 12.69  | 12.39  | 12.14 |
| Brazil             | 11.68  | 11.68  | 11.83  | 11.88 |
| Germany            | 2.79   | 2.83   | 2.87   | 2.96  |
| China              | 2.71   | 2.72   | 2.73   | 2.72  |

| Top Traded Securities | Volume | 27-Oct | 26-Oct | 20-Oct | 28-Sep |
|-----------------------|--------|--------|--------|--------|--------|
| 7.26 2033             | 1,295  | 7.40   | 7.41   | 7.41   | 7.28   |
| 7.06 2028             | 305    | 7.48   | 7.50   | 7.48   | 7.36   |
| 7.62 2039             | -      | 0.00   | 7.43   | 7.43   | 7.29   |
| 7.30 2053             | 30     | 7.45   | 7.48   | 7.47   | 7.35   |
| 6.64 2035             | -      | 7.45   | 7.47   | 7.44   | 7.32   |
| 7.40 2035             | -      | 7.47   | 7.47   | 7.44   | 7.34   |

| MF        | DEBT           |             |                |
|-----------|----------------|-------------|----------------|
|           | Gross Purchase | Gross Sales | Net Investment |
| 18-Oct-23 | 6033           | 5077        | 956            |

| EQUITY | Gross Purchase | Gross Sales | Net Investment |
|--------|----------------|-------------|----------------|
|        | 6401           | 8807        | -2405          |

| TOTAL (Rs.Crs) |             |                |
|----------------|-------------|----------------|
| Gross Purchase | Gross Sales | Net Investment |
| 12434          | 13883       | -1449          |

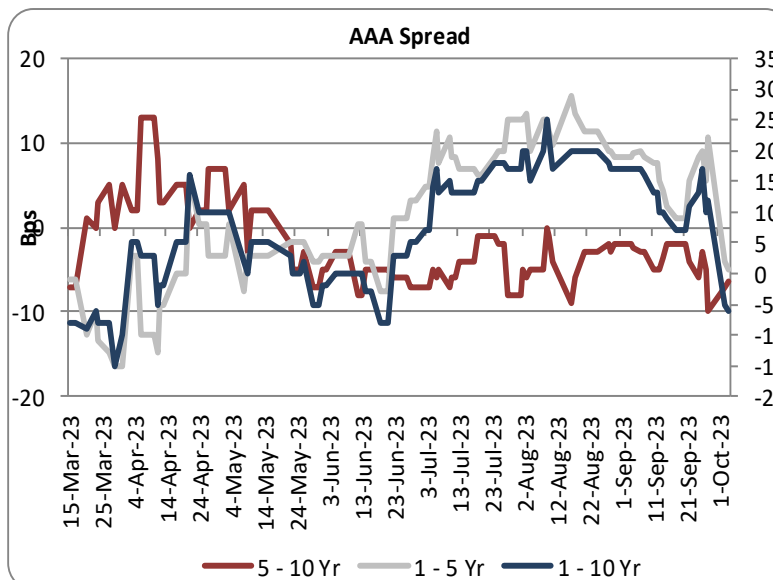
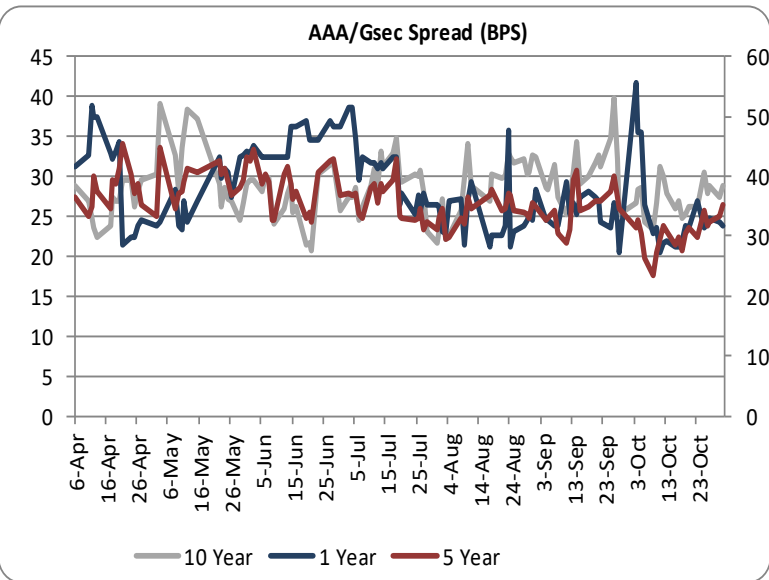
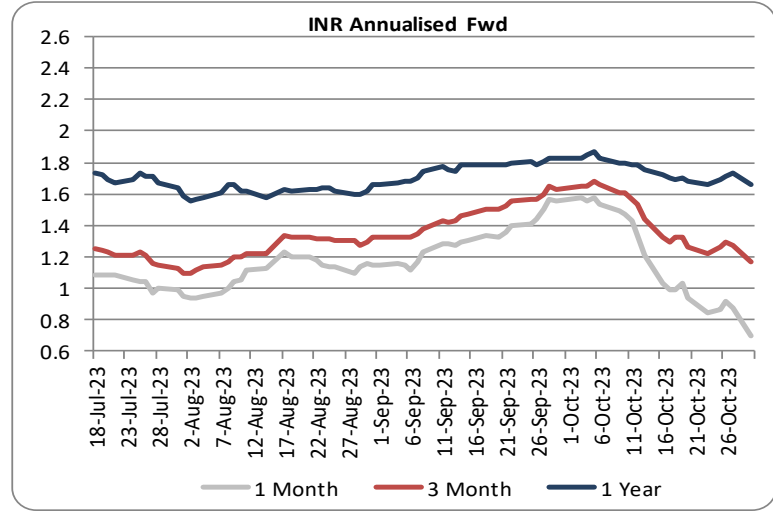
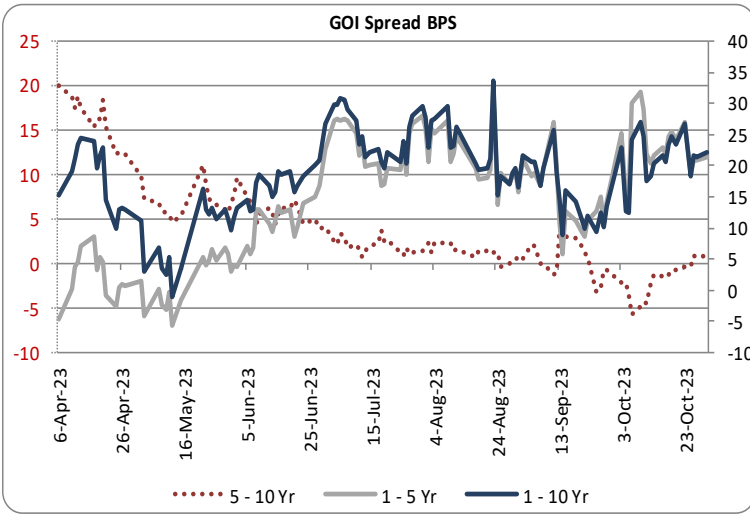
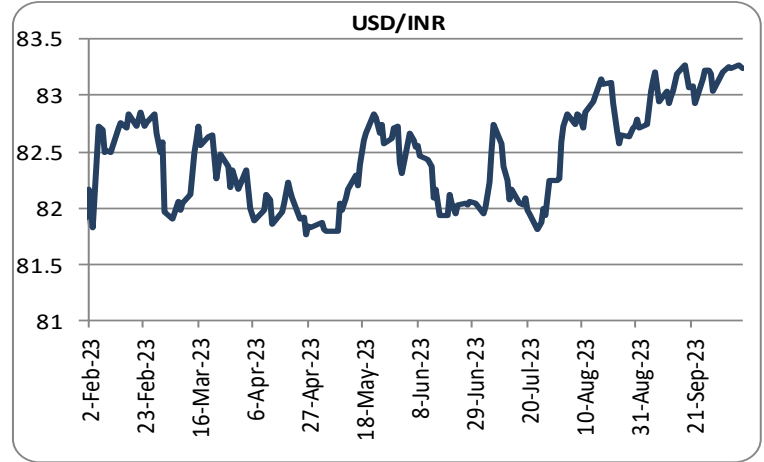
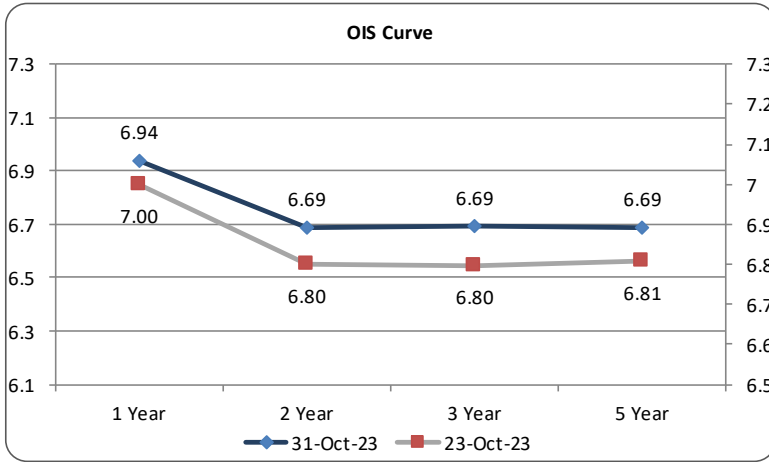
| FII       | DEBT           |             |                |
|-----------|----------------|-------------|----------------|
|           | Gross Purchase | Gross Sales | Net Investment |
| 31-Oct-23 | 347            | 280         | 66             |

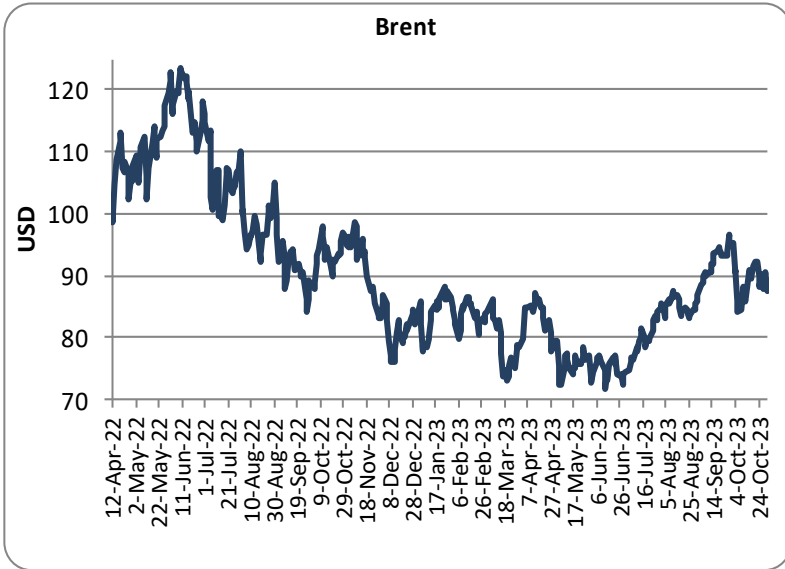
| EQUITY | Gross Purchase | Gross Sales | Net Investment |
|--------|----------------|-------------|----------------|
|        | 6724           | 8421        | -1697          |

| TOTAL (Rs. Crs) |             |                |
|-----------------|-------------|----------------|
| Gross Purchase  | Gross Sales | Net Investment |
| 7071            | 8702        | -1631          |

| INDICATORS            | PERIOD | ACTUAL | PRIOR |
|-----------------------|--------|--------|-------|
| GDP Quaterly (%)      | Jun-23 | 7.8    | 6.1   |
| CAD (\$ Bn)           | Jun-23 | -9.2   | -1.3  |
| Trade Deficit (\$ Bn) | Jun-23 | -56.6  | -52.6 |
| WPI (%)               | Sep-23 | -0.3   | -0.5  |
| CPI (%)               | Sep-23 | 5.0    | 6.8   |
| IIP (%)               | Aug-23 | 10.3   | 5.7   |
| PMI Manufacturing     | Sep-23 | 57.5   | 58.6  |
| PMI Service           | Sep-23 | 61     | 60.1  |

| Economic Calender | Country   | Date      | Poll     | Prior    |
|-------------------|-----------|-----------|----------|----------|
| CPI               | Japan     | 27-Oct-23 | 0        | 2.8      |
| CPI               | Germany   | 30-Oct-23 | -        | 4.50     |
| Unemployment Rate | Japan     | 31-Oct-23 | -        | 2.70     |
| Retail Sales      | Japan     | 31-Oct-23 | -        | 7.00     |
| GDP Q3            | Euro Zone | 31-Oct-23 | -        | 0.50     |
| Fed fund rate     | USA       | 01-Nov-23 | 5.25-5.5 | 5.25-5.5 |
| BOE bank Rate     | UK        | 02-Nov-23 | 5.25     | 5.25     |
| Unemployment Rate | Euro Zone | 03-Nov-23 | -        | 6.40     |





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/>