

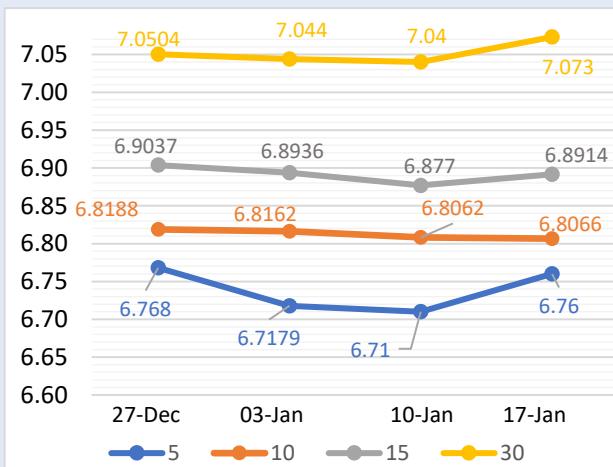


19TH January 2025

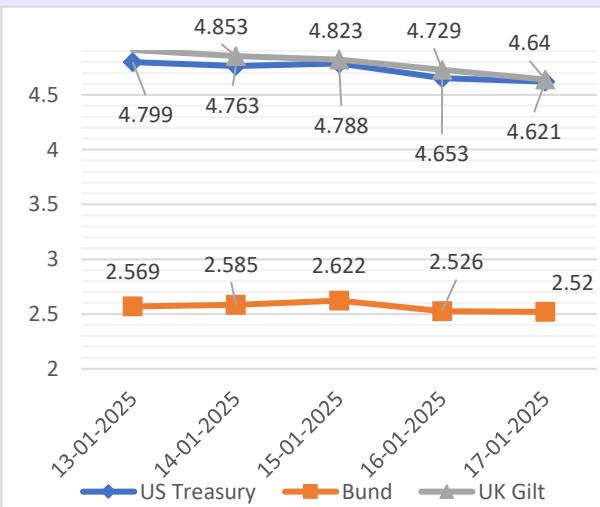
MARKET OVERVIEW

	13 JAN	14 JAN	15 JAN	16 JAN	17 JAN
USD/INR	86.17	86.65	86.53	86.43	86.60
OIL	79.76	80.92	80.29	82.42	81.44
GOLD	2716.80	2682	2393.30	2777.30	2746.80
India 10Y	6.8859	6.8595	6.8481	6.7871	6.8086
US 10 YR	4.799	4.763	4.788	4.623	4.621
NIFTY 50	23088	23207	23227	23352	23201
SENSEX	76348	76672	76773	77151	76632

INDIA BOND YIELD (%)



KEY 10-YR YIELDS (%)



Key headlines from the week:

The 10-year benchmark yield concluded the week at 6.8086, 0.04 bps above the previous week's closing figure.

The weekly movement in spreads include 10Y Indian Treasuries (0.15 bps below), 10Y UST (5 bps BELOW), 10Y Bund (2 bps BELOW), and 10Y UKT (19 bps BELOW).

U.S. equity funds faced significant outflows of \$8.23 billion for the week ending Jan. 15 amid cautious investor sentiment over Fed rate cuts and earnings season, while bond funds saw \$6.18 billion in inflows, driven by demand for taxable fixed income and government funds, and money market funds experienced \$60.07 billion in net outflows.

UK retail sales fell by 0.3% in December, contrary to expectations of 0.4% growth, reflecting weak consumer confidence and economic conditions, while GDP rose only 0.1% in November; the Bank of England faces mounting pressure to cut rates further in February after reducing the base rate to 4.75% in November.

The dollar steadied on Friday but was set to end its six-week winning streak as softer U.S. inflation data and Fed remarks increased expectations of rate cuts, while markets awaited Trump's inauguration; the yen strengthened on expectations of a BOJ rate hike, sterling dipped on weak UK retail sales, and China's yuan held steady after strong economic growth data.

UBS analysts anticipate the Federal Reserve will maintain current interest rates until mid-2025 despite softer-than-expected core inflation data, as strong economic activity and a robust labour market support limited policy adjustment; the softer inflation eased market concerns, boosting stocks and lowering bond yields.

Liquidity Operation

Date	VRRR	MSF	SDF
Jan 06	-	15860	54274
Jan 07	50007	24676	66630
Jan 08	-	444652	48937
Jan 09	50004	20639	56581
Jan 10	275011	17638	76178
Jan 11	-	5712	50540

MONEY MARKET SNAPSHOT

Item	Week Ended		
	JAN. 12, 2024	JAN. 03, 2025	JAN. 10 2025
	1	2	3
Call Money	19175	15234	17914
Notice Money	1716	5118	1700
Triparty Repo	600194	770177	653486
Market Repo	458126	614692	536952
Repo in Corporate Bond	544	8232	7738

Most Actively Traded Debt.

Paper	Volumes (lakh)	Yield (%)
LIC HOUSING FINANCE LTD	48000	7.5417
HOUSING AND URBAN DEVELOPMENT CORPORATION LIMITED	27500	7.4
POWER FINANCE CORPORATION LIMITED SR BS225A 7.77 BD 15JL26	26000	7.5292

Indian Debt Market update:

FICCI's economic outlook for 2025-26 anticipates India's GDP growth at 6.5-6.9%, driven by the government's capital expenditure focus, rising consumer spending, rural consumption growth, easing food inflation, and potential RBI monetary easing, while acknowledging short-term disruptions from US policies, trade tensions, and global supply chain shifts, alongside opportunities from supply chain diversification and lower oil prices.

India's total exports of merchandise and services grew by 6.03% to \$602.64 billion during April-December 2024, driven by a 1.6% rise in merchandise exports (\$321.71 billion) and key sectors like electronic goods, engineering goods, rice, and textiles, while December 2024 exports rose 0.92% to \$70.67 billion amidst a 6.4% increase in imports to \$77.44 billion.

India's agricultural and processed food exports grew 11% to \$17.77 billion during April-December FY25, driven by a 19% surge in rice exports to \$8.72 billion, along with increases in buffalo meat, dairy, poultry products (10%), fresh fruits and vegetables (5%), and cereals preparations (10%), amid strong global demand.

India's industrial output growth reached a six-month high of 5.2% in November, driven by strong increases in consumer durables (13.1%) and capital goods (9%) output, along with improved performance in manufacturing (5.8%), electricity (4.4%), and mining (1.9%).

RBI announced the auctions of Government of India dated securities of 22,000 crores namely 6.64% GS 2027 for 7,000, and 7.34% GS 2064 for 15,000.

In the SDL auction conducted on 7TH January, 10 states raised an aggregate amount of ₹ 21,500.

Upcoming auction schedule:

- **21ST January** – RBI announced the state auction, in which 7 states will be raising aggregating to 17,500 crores.
- **22ND January** – RBI announced the auction of T-bills for 91 days, 182 days, and 364 days for 12000, 8000, & 8000 crores respectively.

INR – DOLLAR EXCHANGE

	13 Jan	14 Jan	15 Jan	16 Jan	17 Jan
OPEN	86.1	86.6	86.5	86.4	86.6
HIGH	86.7	86.7	86.5	86.6	86.6
LOW	86.0	86.4	86.2	86.3	86.5
CLOSE	86.6	86.5	86.3	86.5	86.5

INTEREST RATES

COUNTRY	CURRENT	PREVIOUS
INDIA	6.5	6.5
USA	4.50	4.75
UK	4.75	5.0
CHINA	3.35	3.35
EURO AREA	3.15	3.40
JAPAN	0.25	0.25

WEEK AHEAD KEY EVENTS

DATE	EVENTS
20-Jan	Japan Machinery Orders, Industrial Production, Germany PPI
21-Jan	United Kingdom Labour Market Report, Canada Inflation Rate, Germany ZEW Economic Sentiment
22-Jan	New Zealand Inflation, Malaysia Inflation Rate, Malaysia BNM Interest Rate Decision, South Africa Inflation
23-Jan	Eurozone Consumer Confidence, United States Initial Jobless Claims, Japan Trade, Singapore Inflation
24-Jan	India HSBC Flash PMI, Manufacturing & Services, United States UoM Sentiment, India HSBC Flash PMI, Manufacturing & Services

Currency Movement:

The Indian rupee weakened to 86.55/\$1, despite RBI intervention to limit losses, as dollar demand from foreign banks persisted; US inflation data at 2.9% and softer Treasury yields (down 14 bps to 4.65%) supported expectations of Fed rate cuts, while forecasts project the rupee may weaken further to 88-89.50/\$1 by year-end.

Central bank researchers stress that strategic foreign exchange interventions, including spot and forward actions, are vital in emerging economies to stabilize currencies, as portfolio flows significantly impact exchange rates more than interest rate or inflation differentials, particularly during financial turbulence.

We expect the Indian rupee to remain under pressure in the near term due to a strong U.S. dollar, elevated U.S. Treasury yields, and continued FPI outflows driven by global risk aversion and attractive valuations elsewhere. The rupee is likely to trade within the range of 86.00–86.80 with further movements contingent on global financial trends and domestic stability.

Key updates and week ahead:

Key upcoming US data includes existing home sales and the final January University of Michigan sentiment figures. In Canada, December inflation and retail sales updates are due, with recent S&P Global Canada PMI data indicating slightly higher services inflation and declining services activity, signalling weaker retail demand.

UK labor market data is awaited, with recent reports showing accelerated declines in permanent placements and vacancies in December due to employment cost concerns, while UK employment fell at its fastest pace since January 2021.

The Bank of Japan's first 2025 meeting may signal potential rate hikes, supported by elevated December selling price inflation, while key inflation and trade data will also be released. Additionally, the APAC region expects tier-1 data, including inflation figures from New Zealand, Singapore, and Malaysia, along with Q4 GDP updates from South Korea and Taiwan.