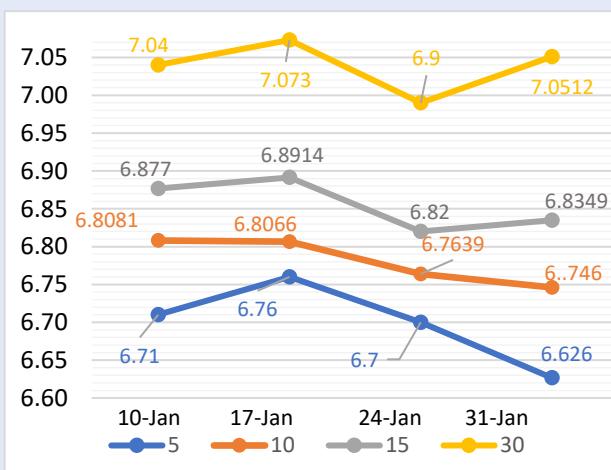




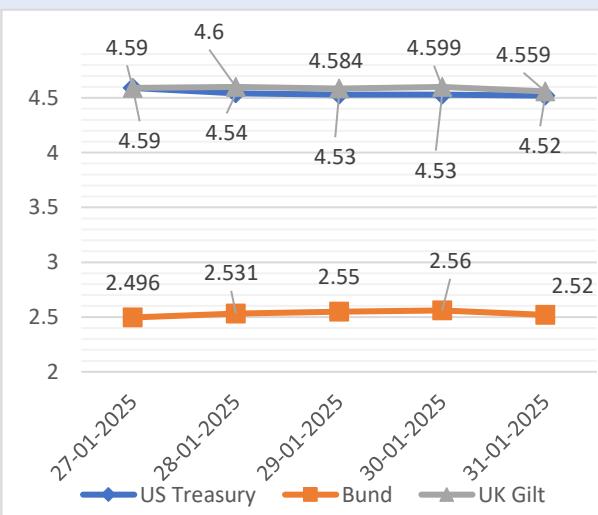
MARKET OVERVIEW

	27 JAN	28 JAN	29 JAN	30 JAN	31 JAN
USD/INR	86.35	86.58	86.30	86.54	86.53
OIL	76.18	76.49	75.61	75.89	75.67
GOLD	2766.20	2794.60	2793.50	2845.20	2835
India 10Y	6.7253	6.7437	6.7397	6.7317	6.7466
US 10 YR	4.599	4.544	4.532	4.538	4.524
NIFTY 50	22817	22976	23174	23293	23443
SENSEX	75352	75975	76555	76879	77758

INDIA BOND YIELD (%)



KEY 10-YR YIELDS (%)



Key headlines from the week:

The 10-year benchmark yield concluded the week at 6.7466, 0.2 bps below the previous week's closing figure.

The weekly movement in spreads include 10Y Indian Treasuries (0.2 bps below), 10Y UST (7 bps BELOW), 10Y Bund (2 bps BELOW), and 10Y UKT (10 bps BELOW).

The ECB reaffirmed its commitment to further rate cuts following its fourth consecutive reduction to 2.75%, with policymakers optimistic about inflation reaching the 2% target by mid-year. Despite surveys indicating rising inflation expectations, lower-than-expected inflation data from France and Germany bolstered market bets for faster easing. ECB officials suggested that monetary policy could soon shift to a neutral stance, with another rate cut in March remaining the baseline expectation.

Morgan Stanley predicts the UK's GDP growth to slow to 0.9% in 2025, down from its earlier estimate of 1.3%, citing economic and labor market weaknesses, while expecting the Bank of England to cut interest rates gradually throughout the year, bringing the policy rate down to 3.5% by year-end.

UBS expects the USD to remain strong in the short term due to U.S. growth outpacing other economies and monetary policy divergence, while tariff-related volatility may persist; they recommend strategic currency positions, favoring AUD/NZD long.

Oil prices declined for a second day due to higher-than-expected U.S. crude stockpiles and concerns over Trump's proposed 25% tariffs on Canadian and Mexican oil, while markets await the Feb. 3 OPEC+ meeting, where members may respond to U.S. production expansion, though analysts see a price war as unlikely.

Liquidity Operation

Date	VRRR	MSF	SDF
Jan 20	75772	4461	78560
Jan 21	71900	8207	43894
Jan 22	125009	3349	75393
Jan 23	145683	2831	67458
Jan 24	362107	3232	92874
Jan 25	-	3351	53731

MONEY MARKET SNAPSHOT

Item	Week Ended		
	JAN. 26, 2024	JAN. 17, 2025	JAN. 24 2025
	1	2	3
Call Money	20336	16683	20631
Notice Money	1587	6324	1396
Triparty Repo	528710	779174	649147
Market Repo	452165	661241	525850
Repo in Corporate Bond	1220	7717	6711

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:

Finance Minister Nirmala Sitharaman set the fiscal deficit target for 2025-26 at 4.4%, maintaining the government's commitment to reducing it below 4.5% by 2026. The current fiscal deficit target has been revised to 4.8%. The budget introduced tax relief, with a revised income tax structure benefiting middle-class earners, including an Rs 80,000 tax saving for those earning Rs 12 lakh annually.

The government aims to raise gross tax revenue to Rs 42.70 lakh crore in the next fiscal, an 11% increase from the revised Rs 38.53 lakh crore target for FY25. Capital expenditure is set to rise by 10.08% to a record Rs 11.21 lakh crore to boost economic growth.

The RBI's February MPC meeting is expected to take a growth-supportive stance, especially with the government focusing on fiscal consolidation in the upcoming budget. Recent liquidity injections (Rs 1.5 lakh crore via OMO, Rs 1.1 lakh crore via G-sec purchases, and a \$5 billion swap) signal a dovish shift, which could support lending, lower interest rates, and boost growth, though it may also pressure the rupee.

While adhering to fiscal consolidation, the government faces the challenge of balancing growth with prudence. Economists caution that aggressive fiscal targets could impact economic expansion, especially as India's growth is projected to slow to a four-year low in the current fiscal.

Under the OMO outright segment Liquidity operations conducted by RBI, the government issued the purchase of ₹ 16,120 Crores.

RBI announced the auctions of Government of India dated securities of 22,000 crores namely 6.79% GS 2031 for 10,000, 6.79% GOI SGrB 2034 for 5,000, and 7.34% GS 2064 for 15,000.

Upcoming auction schedule:

- **4th February** – RBI announced the state auction, in which 13 states will be raising aggregating to 33,600 crores.
- **5th February** – RBI announced the auction of T-bills for 91 days, 182 days, and 364 days for 12000, 8000, & 8000 crores respectively.

INR – DOLLAR EXCHANGE

	27 Jan	28 Jan	29 Jan	30 Jan	31 Jan
OPEN	86.2	86.3	86.5	86.5	86.6
HIGH	86.5	86.6	86.6	86.7	86.8
LOW	86.2	86.3	86.4	86.5	86.5
CLOSE	86.3	83.6	86.5	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	2.9	3.15
JAPAN	0.50	0.25

WEEK AHEAD KEY EVENTS

DATE	EVENTS
3-Feb	Eurozone Inflation, Worldwide Manufacturing PMIs, incl. global PMI, United States ISM Manufacturing PMI
4-Feb	United States Factory Orders, United States JOLTs Job Openings,
5-Feb	United States ISM Services PMI, United States Trade, Worldwide Services, Composite PMIs, inc. global PMI, United States ADP Employment Change
6-Feb	Australia Trade, Europe Sector PMI, United Kingdom BoE Interest Rate Decision, Eurozone HCOB Construction PMI
7-Feb	India RBI Interest Rate Decision, United States Non-Farm Payrolls, Unemployment Rate, Average Hourly Earnings

Currency Movement:

The Reserve Bank of India (RBI) has conducted a foreign-exchange swap auction for the first time in five years, injecting \$5.10 billion into the financial system to address a severe cash crunch. The auction saw an overwhelming response, with bids totaling \$25.59 billion—five times the offered amount. This move adds to the \$7.3 billion infused into India's banking system over the past two days and is part of the RBI's broader plan to inject \$18 billion to ease liquidity pressures in domestic money markets.

India's forex reserves rose by \$5.58 billion to \$629.56 billion as of Jan. 24, ending a seven-week decline. The rupee gained 0.5%—its biggest weekly rise in over a year—amid easing pressure after Trump delayed tariffs. The RBI intervened to curb volatility as global trade concerns and capital outflows kept the rupee under pressure. The currency hit 86.6525 before closing at 86.6050, down 0.5% for the week. Reserves also include India's IMF reserve tranche position. The rupee is likely to trade within the range of 86.00–86.80.

Key updates and week ahead:

Global PMI data for January will offer key insights into economic growth, inflation, and business confidence trends across major economies. The U.S. labor market report, including non-farm payrolls and wage data, will be closely monitored as hiring picks up amid rising labor costs. Additionally, ISM PMI and trade data will provide further clarity on economic momentum, while Fed officials' comments may shape interest rate expectations. In Canada, trade and employment data will be watched following the central bank's rate cut to 3.0%. Meanwhile, inflation data from Mexico and Brazil will be key indicators for economic stability in Latin America.

The Bank of England faces a rate-cut dilemma amid a weak economy and rising inflation, while Eurozone inflation data will follow a five-month high in price pressures; key APAC events include the RBI meeting, BoJ summary, China inflation, and Australia trade data, with India's slowing growth supporting the RBI's dovish stance despite rupee volatility.