

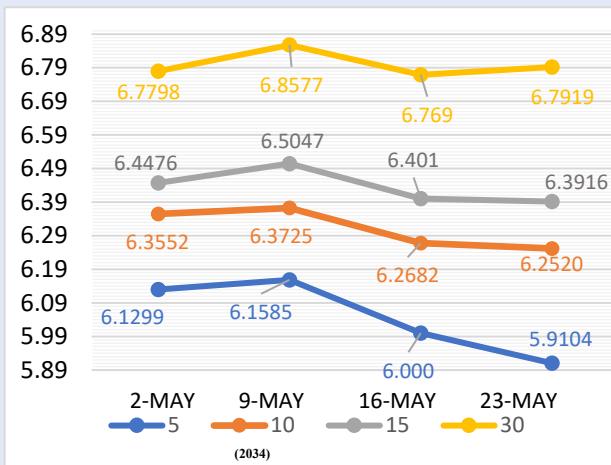


24TH MAY 2025

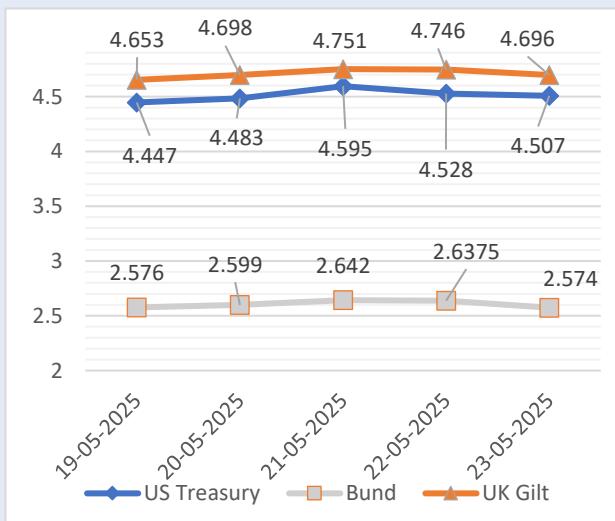
MARKET OVERVIEW

	19 MAY	20 MAY	21 MAY	22 MAY	23 MAY
USD/INR	85.390	85.540	85.600	85.995	85.200
OIL	65.54	65.38	64.91	64.44	64.78
GOLD	3233	3284	3315	3295	3365
India 10 Y (2035)	6.2382	6.2228	6.2062	6.2339	6.2107
US 10 Y	4.447	4.483	4.595	4.528	4.507
NIFTY 50	24933	24713	24801	24637	24849
SENSEX	82043	81270	81556	81011	81693

INDIA BOND YIELD (%)



KEY 10-YR YIELDS (%)



Key headlines from the week:

The 10-year benchmark yield concluded the week at 6.2107 at 5.75 bps lower the previous week's closing figure.

The weekly movement in spreads include 10Y Indian Treasuries (5.75 bps below), 10Y UST (6 bps above), 10Y Bund (1 bps below), and 10Y UKT (6 bps above).

China has lowered the ceiling on deposit rates to protect banks' profit margins and discourage excessive savings amid weak economic conditions. The move, led by the central bank's regulatory body, follows recent benchmark lending rate cuts and state banks' deposit rate reductions. Some banks' time deposit ceilings were cut by 30–40 basis points. With net interest margins at a record low of 1.43% in Q1, regulators aim to ease pressure on banks struggling with tight margins, intensified by a property slump, weak consumption, and the U.S. trade war. Margins are expected to fall another 10–15 bps this year.

The U.K. economy slightly rebounded in May, with the composite PMI rising to 49.4, signaling slower GDP growth. Services PMI edged up to 50.2, while manufacturing fell to 44.8 due to U.S. tariffs. Easing price pressures suggest April's inflation spike was temporary. Capital Economics expects gradual BoE rate cuts from 4.25% to 3.50% in 2025.

Japan's trade balance unexpectedly swung to a ¥115.8 billion (\$800 million) deficit in April, missing forecasts for a surplus due to weaker exports and resilient imports. Exports rose just 2% year-on-year, down from 4%, pressured by U.S. tariffs, a strong yen, and softer Chinese demand. Imports fell 2.2%, less than the expected 4.5% drop, as higher wages supported consumption. Ongoing U.S.-Japan trade talks aim to reverse new tariffs, with a third round of discussions set for this week.

Liquidity Operation by RBI

Date	VRR	MSF	SDF
May 12	-	2281	205550
May 13	5401	154	194470
May 14	5341	175	222868
May 15	5198	358	262952
May 16	5293	340	289909
May 17	-	513	231345

AVERAGE DAILY TURNOVER

Item	Week Ended		
	May 17. 2024	May 09. 2025	May 16. 2025
	1	2	3
Call Money	19191	28824	27040
Notice Money	5117	1669	9267
Triparty Repo	628141	658386	761526
Market Repo	679556	687084	784092
Repo in Corporate Bond	4382	6372	6781

Most Actively Traded Debt.

Paper	Yield (%)	LTP
TELANGANA STATE INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED SR I 2024-25 H 9.35 NCD 24NV34 FVRS1LAC	9.0546	103.6755
TATA CAPITAL HOUSING FINANCE LIMITED SR C 7.17 NCD 21MY30 FVRS1LAC	7.1509	100.1000
SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA SR IX 7.39 BD 21MR30 FVRS1LAC	6.6800	102.7946

Indian Market update:

If Indian 10-year bond yields fall below U.S. yields, the rupee could appreciate, as investors may seek Indian assets for currency stability rather than yield. A steeper domestic yield curve (1Y-10Y > 2%) encourages borrowing and long-term investment, potentially fueling growth, job creation, and consumption—like India's 2003-07 boom. While short-term equity volatility is likely amid global shocks, India's macroeconomic discipline positions it well for long-term outperformance. The narrowing India-U.S. yield spread may mark a shift in global investor confidence, highlighting India's growing economic leadership. In the SDL auction conducted on 14th May, 7 states raised an aggregate amount of ₹ 11,500 Cr.

The India-U.S. 10-year bond yield spread narrowed to a 20-year low of 164 bps, as U.S. yields surged on deficit concerns and weak demand at a 20-year Treasury auction. The U.S. 10-year yield rose to 4.59%, while India's fell to 6.25% amid strong fiscal metrics and expectations of an RBI rate cut in June. The narrowing spread may trigger foreign investor outflows from Indian bonds, as reduced yield differentials lower adjusted returns. SEBI's recent proposal to ease FPI compliance aims to counteract this risk.

India is negotiating a three-stage trade deal with the U.S., aiming to finalize an interim agreement before President Trump's proposed reciprocal tariffs take effect in July, Bloomberg reported. The first phase would address market access for industrial and some agricultural goods and ease non-tariff barriers. A broader second phase may follow by November, with a final comprehensive pact requiring U.S. congressional approval expected next year.

Upcoming auction schedule:

- **27th MAY** – RBI announced the SDL auction, in which 10 states will be raising aggregating to 15,800 crores.
- **28th MAY** – RBI announced the auction of T bills for 91 days, 182 days, and 364 days for 9000, 5000, & 5000 crores respectively.

INR – DOLLAR EXCHANGE

	19 MAY	20 MAY	21 MAY	22 MAY	23 MAY
OPEN	85.4	85.3	85.5	85.6	85.9
HIGH	85.6	85.6	85.7	86.1	86.0
LOW	85.3	85.3	85.4	85.5	85.1
CLOSE	85.3	85.5	85.6	85.9	85.2

INTEREST RATES

COUNTRY	CURRENT	PREVIOUS
INDIA	6.00	6.25
USA	4.50	4.50
UK	4.25	4.5
CHINA	3.10	3.35
EURO AREA	2.40	2.65
JAPAN	0.50	0.50

Currency Movement:

The Indian rupee fell to a six-week low on Thursday, closing at 86.0025/USD, down 0.4%, after breaching the key support level of 85.80, triggering stop-losses. The decline was driven by equity outflows, dollar demand from foreign and state-run banks, and a stronger dollar index. Indian equities also dropped 0.8%. Despite short-term weakness, BofA expects the rupee to strengthen medium-term, supported by capital inflows and trade growth.

In FY25, the RBI net sold \$34.5 billion in forex—its highest since 2008—amid rupee-dollar volatility driven by global uncertainties, including U.S. tariffs. However, in March, it net bought \$14.36 billion, its first purchase in six months. Despite global turbulence, the rupee appreciated 1.3% in April and remained one of the least volatile major currencies, supported by strong fundamentals and healthy forex reserves, according to the RBI's bulletin.

Key updates and week ahead:

Markets will watch the Fed minutes from the May 6–7 FOMC meeting and fresh Fed member comments for clues on growth and inflation outlook amid tariff uncertainties. Key U.S. data releases include the second estimate of Q1 GDP (initially showed contraction), core PCE inflation, durable goods orders, consumer confidence, home prices, and personal income/spending.

Germany, France, Italy, and Spain will release May preliminary inflation data. PMI data shows France's output prices fell at the fastest pace since Jan 2021, while selling price inflation eased in Germany. GfK Confidence and PMI Future Output Index suggest a slight rebound in business optimism, though it remains low for the year.

Central banks in New Zealand and South Korea may cut rates amid tariff uncertainty. Key data includes Australia's CPI, China's official PMI, India's GDP, and Japan's consumer confidence, retail sales, industrial output, and unemployment. Japan's May flash PMI showed business activity slipping back into contraction

DATE	EVENTS
26-May	Singapore Industrial Production, Hong Kong SAR Trade
27-May	China (Mainland) Industrial Profits, Germany GfK Consumer Confidence, EU/Eurozone Economic Sentiment
28-May	United States FOMC Meeting Minutes, India Industrial Production, Eurozone ECB Consumer Inflation Expectations
29-May	Japan Consumer Confidence, Canada Current Account, United States GDP
30-May	India GDP, United States Core PCE Price Index, Japan Tokyo CPI, United States UoM Sentiment, United Kingdom Nationwide Housing Prices, United States UoM Sentiment, Germany Inflation Rate