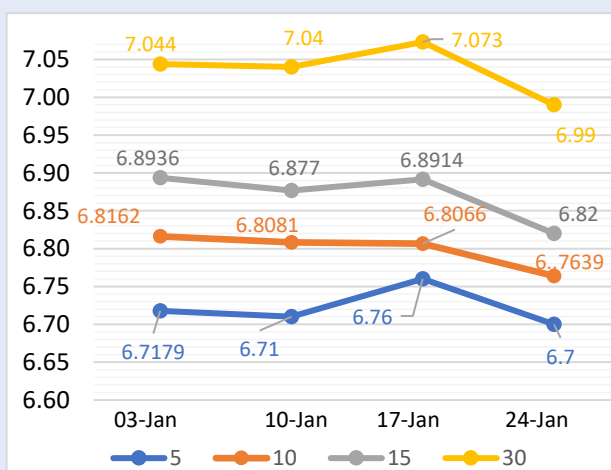
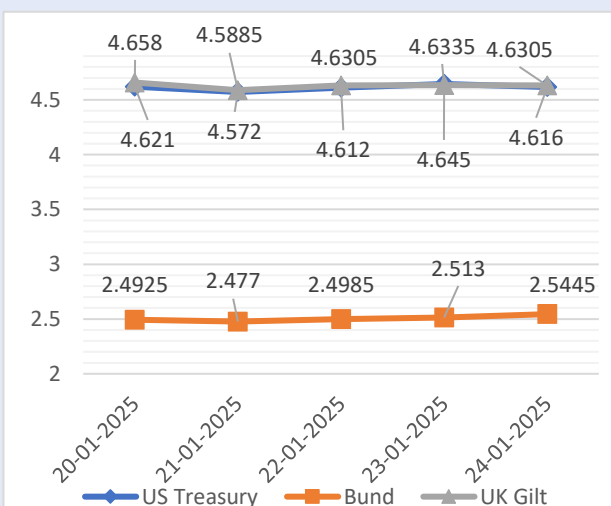


**26<sup>TH</sup> January 2025**
**MARKET OVERVIEW**

	20 JAN	21 JAN	22 JAN	23 JAN	24 JAN
USD/INR	86.21	86.45	86.45	86.43	86.20
OIL	80.15	79.29	79.00	78.29	78.50
GOLD	2748	2759	2770	2765	2778
India 10Y	6.8047	6.7784	6.7612	6.77761	6.7639
US 10 YR	-	4.572	4.612	4.645	4.616
NIFTY 50	23336	23053	23160	23216	23089
SENSEX	77022	76001	76452	76561	76215

**INDIA BOND YIELD (%)**

**KEY 10-YR YIELDS (%)**

**Key headlines from the week:**

The 10-year benchmark yield concluded the week at 6.7639, 0.4 bps below 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).

The euro zone's business sector showed slight growth in January 2025, with the composite PMI rising to 50.2 due to stable services activity and easing in the manufacturing downturn, though demand remains subdued.

British manufacturing showed slight improvement in January 2025, with order books rising from a four-year low, but business optimism hit its lowest since 2022 due to concerns over rising costs from increased social security contributions, wages, and employment law changes.

Outflows from U.S. equity funds slowed to \$3.2 billion in the week ending Jan. 22, the lowest in three weeks, as benign core inflation boosted equities, while bond funds saw strong inflows of \$8.83 billion, and money market funds attracted \$32.86 billion amid shifting rate expectations.

China's factory activity likely expanded for a fourth month in January, supported by strong exports and industrial output, but domestic demand remains weak amid deflationary pressures, high unemployment, and U.S. tariff threats, prompting Beijing to focus on stimulus.

The EIA Crude Oil Inventories report shows a surprising decline of 1.962 million barrels, exceeding last week's decrease and indicating stronger-than-expected crude oil demand, which is bullish for prices, though future trends depend on global economic and geopolitical factors.

### Liquidity Operation

Date	VRRR	MSF	SDF
Jan 06	50008	539	84042
Jan 07	-	2069	77450
Jan 08	3980	794	66409
Jan 09	30760	1138	84506
Jan 10	33467	4096	80248
Jan 11	-	14661	83219

### MONEY MARKET SNAPSHOT

Item	Week Ended		
	JAN. 19, 2024	JAN. 10, 2025	JAN. 17 2025
	1	2	3
Call Money	20412	17914	16683
Notice Money	5675	1700	6324
Triparty Repo	735997	653846	779174
Market Repo	582394	536952	661241
Repo in Corporate Bond	281	7738	7717

### 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:

India's manufacturing sector saw strong growth in January, driven by a surge in new export orders and global restocking ahead of likely tariffs, while services activity slowed slightly; manufacturers benefited from easing input costs and improved margins, contrasting with rising cost pressures for service providers, as inflation trends down and HSBC predicts two repo rate cuts by April.

Under the OMO outright segment Liquidity operations conducted by RBI, the government issued the purchase of ₹ 10,175 Crores.

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, recognized as a global leader in startups and digital innovation, has advanced transformative technologies through the Centre for the Fourth Industrial Revolution (C4IR) India, launched in 2018 by PM Narendra Modi in collaboration with the World Economic Forum. The centre has impacted 1.25 million citizens across sectors like agriculture, health, and aviation and aims to expand its reach to 10 million with initiatives like "AI for India 2030," the "Space Economy," and climate technology programs to drive societal and economic progress.

RBI announced the auctions of Government of India dated securities of 22,000 crores namely 6.79% GS 2034 for 12,000, and 7.09% GS 2074 for 10,000.

In the SDL auction conducted on 22<sup>ND</sup> January, 7 states raised an aggregate amount of ₹ 17,500.

Upcoming auction schedule:

- **28<sup>TH</sup> January** – RBI announced the state auction, in which 13 states will be raising aggregating to 32,000 crores.
- **29<sup>TH</sup> 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

	20 Jan	21 Jan	22 Jan	23 Jan	24 Jan
<b>OPEN</b>	86.56	86.2	86.4	86.4	86.4
<b>HIGH</b>	86.5	86.6	86.6	86.5	86.4
<b>LOW</b>	86.2	86.2	86.3	86.3	86.1
<b>CLOSE</b>	86.2	86.4	86.4	86.4	86.2

## INTEREST RATES

COUNTRY	CURRENT	PREVIOUS
<b>INDIA</b>	6.5	6.5
<b>USA</b>	4.50	4.75
<b>UK</b>	4.75	5.0
<b>CHINA</b>	3.35	3.35
<b>EURO AREA</b>	3.15	3.40
<b>JAPAN</b>	0.50	0.25

## WEEK AHEAD KEY EVENTS

DATE	EVENTS
27-Jan	United States Dallas Fed Manufacturing Index, Hong Kong SAR Trade, United States Chicago Fed National Activity Index
28-Jan	United States CB Consumer Confidence, United States Durable Goods Orders, France Consumer Confidence
29-Jan	Australia Inflation, Canada BoC Interest Rate Decision, United States Fed FOMC Interest Rate Decision, Sweden GDP
30-Jan	Eurozone GDP, Spain Inflation, New Zealand Trade, United States Pending Home Sales
31-Jan	Germany Inflation, United Kingdom Nationwide Housing Prices, Germany Inflation, Germany Retail Sales.

## Currency Movement:

India's foreign exchange reserves fell by \$1.8 billion to \$623.98 billion for the week ending January 17, 2025, primarily due to a drop in foreign currency assets, while gold reserves increased by \$1.06 billion. The Reserve Bank of India continues to intervene in the market to manage liquidity and prevent excessive volatility in the rupee exchange rate.

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:

The Fed is expected to hold rates steady in its first 2025 meeting after cutting to 4.25%-4.50% in December, with slower rate cuts anticipated due to improving economic conditions; a 25bps cut is forecast for March. Meanwhile, the Bank of Canada is expected to lower rates by 25bps amid cooling inflation and US tariff concerns.

The ECB is expected to cut rates further in January, with 125bps of reductions projected for 2025, as eurozone output remains weak and price pressures subdued, per HCOB Eurozone PMI data. Q4 GDP will confirm growth signals, while consumer confidence and inflation data from Germany and France reveal mixed trends.

In APAC, China's PMI update is due Friday amid Spring Festival holidays, while Australia's inflation data and Japan's industrial production and consumer confidence figures are anticipated. Japan's Flash PMI indicates a sharp manufacturing decline and reduced business