

WEEKLY REPORT

INDIAN DEBT MARKET

23RD March 2025

Key Headlines from the week:

- The 10-year benchmark yield concluded the week at 6.6245 at 7.22 bps lower the previous week's closing figure.
- The weekly movement in spreads include 10Y Indian Treasuries (7.22 bps below), 10Y UST (7 bps below), 10Y Bund (6 bps below), and 10Y UKT (4bps below).
- Euro zone consumer confidence declined in March, falling 0.9 points to -14.5 from -13.6 in February, contrary to expectations of an improvement to -13.0. In the broader EU, sentiment dropped by 1.0 point to -13.9, according to the European Commission's flash estimate.

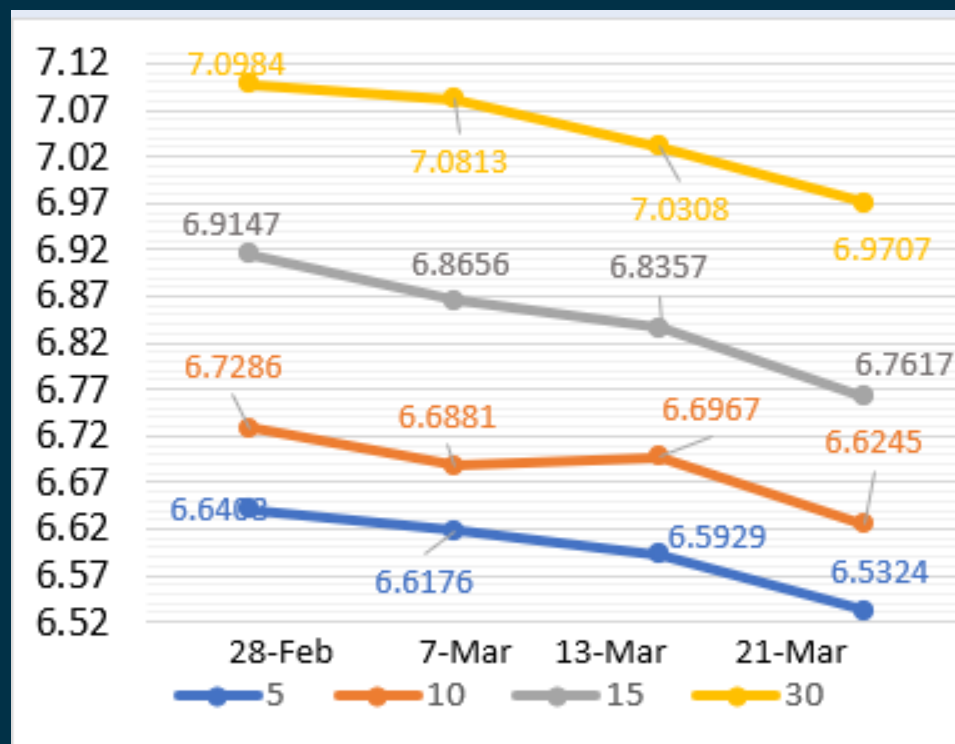
Key Headlines from the week:

- ▶ Japan's CPI inflation grew slightly above expectations in February, with core CPI rising 3.0% y-o-y, exceeding forecasts of 2.9%, while core inflation excluding fresh food and energy rose to 2.6%. Despite cooling from January's 4.0%, inflation remains sticky, driven by rising living costs and wage growth.
- ▶ The Federal Reserve is expected to keep interest rates steady, with policymakers assessing the economic impact of Trump's trade tariffs, immigration restrictions, and layoffs. While inflation remains above 2% and unemployment rose slightly to 4.1%, business and consumer confidence have weakened, raising recession risks.
- ▶ Canada's retail sales fell 0.6% in January to C\$69.4 billion, led by declines in auto (-2.6%) and food sales (-2.5%). Volume sales dropped 1.1%, the sharpest in two years. December's gains were driven by holiday spending and a tax break. Excluding autos, sales rose 0.2%. With U.S. tariffs looming, the Bank of Canada expects weaker consumer spending and GDP, as early data suggests a further 0.4% drop in February.

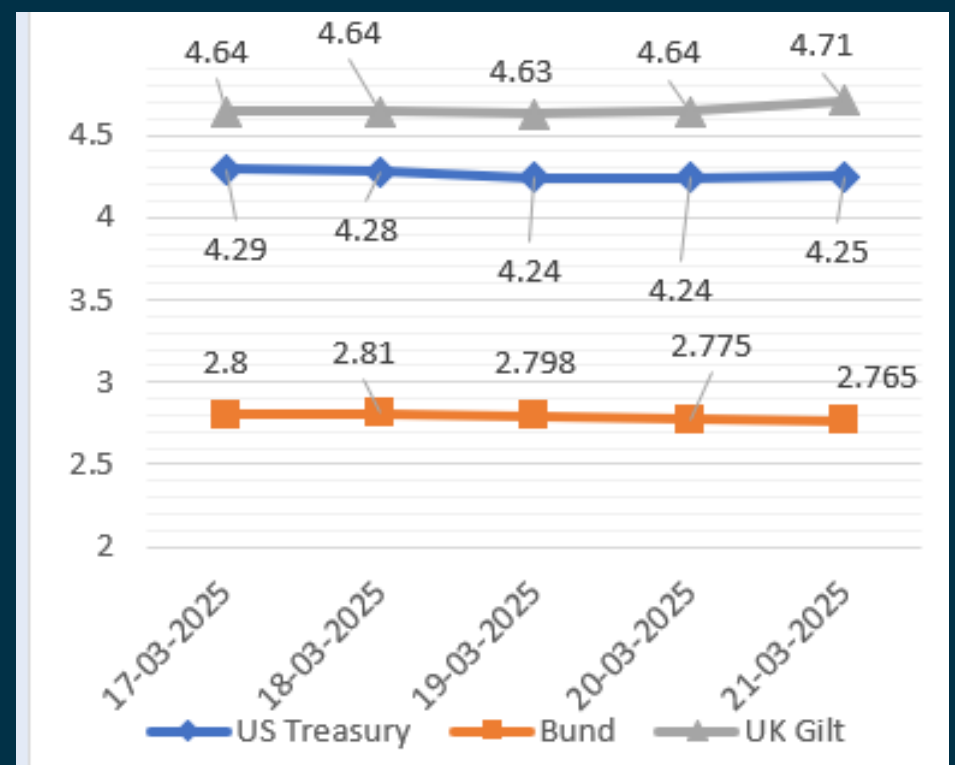
MARKET OVERVIEW

	17 MAR	18 MAR	19 MAR	20 MAR	21 MAR
USD/INR	86.6	86.5	86.3	86.3	85.9
OIL	71.1	70.5	70.7	72.0	72.6
GOLD	3006	3040	3041	3042	3021
India 10Y	6.6896	6.6714	6.6601	6.6366	6.6245
US 10 YR	4.298	4.283	4.246	4.240	4.249
NIFTY 50	22514	22845	22911	23165	23355
SENSEX	74187	75352	75447	76291	76955

INDIA BOND YIELD (%)



KEY 10-YR YIELDS (%)



Indian Debt Market update:

- Indian government bond yields are expected to remain stable, with the 10-year yield seen between 6.62%-6.65% after a recent decline. Positive sentiment is driven by expectations of an RBI rate cut in April, following a 25-bps cut in February. Yields have eased 6 bps this week due to strong state debt demand and RBI's bond purchases, totalling over ₹5.50 trillion since mid-January. The bullish outlook is further supported by the U.S. Fed maintaining its forecast for 50 bps rate cuts in 2025, with futures pricing in 67 bps of easing.
- Indian government bond yields remained steady as investors awaited fresh triggers, with the 10-year yield at 6.6256%. Traders expect it to gradually decline to 6.60% by March-end and 6.55% in April, driven by a likely RBI rate cut, continued bond purchases, and a benign monetary policy outlook. The RBI, which cut rates in February, is set to decide policy on April 9. A strengthening rupee, strong state debt demand, and the U.S. Fed's commitment to two rate cuts this year further boosted sentiment. Foreign investors increased purchases, with investments in index-linked bonds surpassing ₹100 billion in March.
- India's economy remains resilient amid global uncertainty, with strong agriculture, rising consumption, and robust macro fundamentals, per the RBI. CPI inflation hit a seven-month low of 3.6% in Feb 2025, while real GDP growth for 2023-24 surged to 9.2%, the highest in over a decade (excluding post-Covid rebound). Growth is driven by domestic demand, investment, and government infrastructure spending. The Kharif and Rabi seasons saw higher foodgrain production, while manufacturing and services expanded. Despite strong fundamentals, foreign portfolio outflows pressured equities and the currency.

Upcoming auction schedule:

25th March

RBI announced the state auction, in which 18 states will be raising aggregating to 56,621 crores.

26th March

RBI announced the auction of T bills for 91 days, 182 days, and 364 days for 14000, 12000, & 7000 crores respectively.

LIQUIDITY OPERATION

Date	VRR	MSF	SDF
Mar 3	29489	1179	85688
Mar 4	15971	39	110470
Mar 5	18186	587	79966
Mar 6	59868	239	105973
Mar 7	-	25559	58429
Mar 8	-	15179	62983

MONEY MARKET SNAPSHOT

Item	Week Ended		
	MAR 15. 2024	MAR 7. 2025	MAR 14. 2025
	1	2	3
Call Money	50150	23805	23931
Notice Money	5672	942	8289
Triparty Repo	699427	623274	791467
Market Repo	702183	589494	706212
Repo in Corporate Bond	4853	6904	8987

MOST ACTIVELY TRADED DEBT

Paper	Yield (%)	LTP
NBARD SR 25D 7.40 BD 29AP30 FVRS1LAC	7.4523	99.7457
POWER FINANCE CORPORATION LIMITED SR 248A 7.75 NCD 15AP26 FVRS1LAC	7.7676	100.0000
SAMMAAN CAPITAL LIMITED 9.75 NCD 12AP28 FVRS1LAC	9.9932	99.3400

Currency Movement:

- After a 4% decline from Nov 2024 to Feb 2025, the Indian rupee has rebounded by 2%, with experts believing its worst depreciation phase is over. Supported by a seasonal current account improvement, a weaker USD index, and lower domestic inflation, the rupee is now seen as fairly valued. Analysts expect it to trade between 86.5-88 in the next six months, with a potential peak depreciation of 89 by year-end.
- The Indian rupee surged to a near two-month high, reaching 86.2075 on Thursday, driven by dollar sales from foreign banks and seasonal inflows from corporate transactions. The 1.2% appreciation over seven sessions marked a reversal from mid-February's pressure caused by equity outflows and slowing domestic growth, with traders attributing the rally to the unwinding of long dollar/rupee positions in the market.
- Brent crude's projected decline to \$60 per barrel and the RBI's forex interventions provide stability, though the central bank's large forward book remains a risk. Trade tariffs set to take effect in April could temporarily impact the rupee, but analysts believe India's external balances will remain strong enough to prevent excessive depreciation.

	17 MAR	18 MAR	19 MAR	20 MAR	21 MAR
OPEN	86.9	86.6	86.5	86.3	86.3
HIGH	86.9	86.7	86.6	86.4	86.3
LOW	86.6	86.5	86.3	86.9	85.9
CLOSE	86.6	86.5	86.3	86.3	85.9

INTEREST RATES

COUNTRY	CURRENT	PREVIOUS
INDIA	6.25	6.5
USA	4.50	4.75
UK	4.5	4.75
CHINA	3.35	3.35
EURO AREA	2.65	2.9
JAPAN	0.50	0.25

Key updates and week ahead:

- ▶ Key U.S. economic data releases include the Fed's preferred inflation gauge, the core PCE index, alongside March flash PMI, which may offer fresher inflation insights amid new tariffs. Additional reports cover Q4 GDP, durable goods orders, home sales, and personal income and spending.
- ▶ February UK inflation data is set for release, likely confirming persistent price pressures indicated by PMI data. Meanwhile, France and Spain will unveil preliminary March inflation figures, and Germany's sentiment indicators, including PMI Future Output, Ifo, and GfK surveys, will be closely watched amid tariff and debt concerns.
- ▶ A relatively light week for APAC is expected with the Bank of Japan releasing their summary of opinions from their March meeting and meeting minutes from January's. On the inflation front, Australia and Singapore publishes monthly CPI figures in the week.

WEEK AHEAD KEY EVENTS

DATE	EVENTS
24-Mar	US S&P Global Flash PMI, Manufacturing & Services, Eurozone HCOB Flash PMI, Manufacturing & Services, India HSBC Flash PMI, Manufacturing & Services
25-Mar	Japan BoJ Monetary Policy Meeting Minutes, United States New Home Sales, United States Richmond Fed Manufacturing Index
26-Mar	United Kingdom Inflation, Australia Monthly CPI Indicator
27-Mar	United States GDP, United States Wholesale Inventories, United States Pending Home Sales
28-Mar	United States Core PCE Price Index, Eurozone Economic Sentiment, France Inflation, Germany Unemployment Rate

"While we strive for accuracy, this report may contain typographical errors. If you notice any, we would appreciate your feedback."