

WEEKLY REPORT

INDIAN DEBT MARKET

15TH March 2025

Key Headlines from the week:

- The 10-year benchmark yield concluded the week at 6.6967 at 0.81 bps above the previous week's closing figure.
- The weekly movement in spreads include 10Y Indian Treasuries (4.05 bps below), 10Y UST (4 bps below), 10Y Bund (42 bps above), and 10Y UKT (15.15 bps above).
- UBS expects the Swiss National Bank to cut its policy rate by 25 basis points to 0.25% in March, likely marking the final rate cut in the cycle, while further reductions to 0% or negative rates remain unlikely.

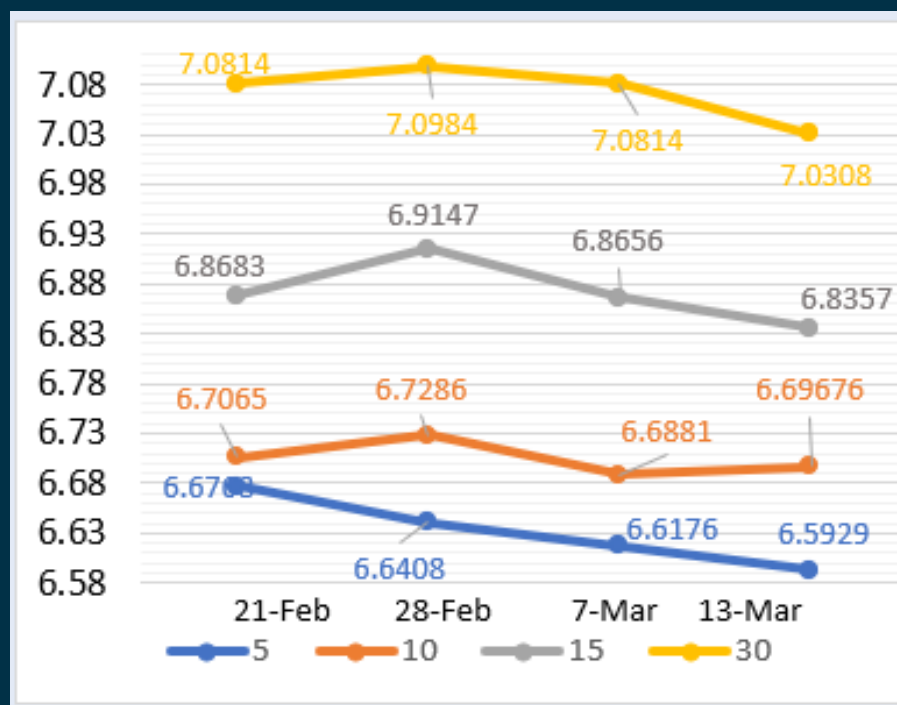
Key Headlines from the week:

- ▶ Euro zone industrial production grew 0.8% in January, exceeding forecasts, driven by a 2.3% expansion in Germany despite declines in Italy and Spain, though output remains 3% below 2021 levels; while German industry shows signs of bottoming out, weak manufacturing orders and U.S. tariffs pose risks to recovery.
- ▶ The U.S. budget deficit for the first five months of fiscal 2025 reached a record \$1.147 trillion, driven by rising interest costs, Social Security, and healthcare spending, while revenues grew modestly; February's deficit hit \$307 billion, and new tariffs and spending cuts under Trump's administration, including reductions in education and foreign aid, have yet to significantly impact overall outlays.
- ▶ J.P. Morgan's chief global economist, Bruce Kasman, has raised the probability of a U.S. recession in 2025 to 40%, with risks potentially exceeding 50% if Trump's proposed reciprocal tariffs take effect in April. Concerns over disruptive policies and investor confidence have contributed to recent stock market selloffs, while GDP growth forecasts have been downgraded by J.P. Morgan (2%), Goldman Sachs (1.7%), and Morgan Stanley (1.5%), highlighting fears of economic slowdown and weakened trust in U.S. markets.

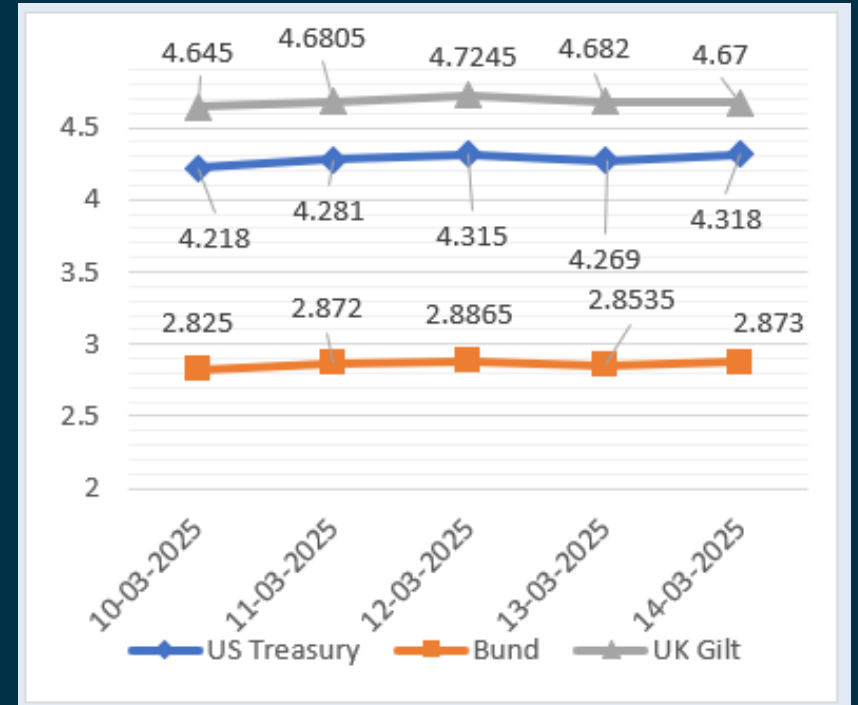
MARKET OVERVIEW

	10 MAR	11 MAR	12 MAR	13 MAR	14 MAR
USD/INR	87.29	87.17	87.15	86.92	86.15-
OIL	69.28	69.56	70.95	69.88	70.57
GOLD	2889	2920	2946	2991	2991
India 10Y	6.7024	6.6938	6.6821	6.6967	-
US 10 YR	4.218	4.281	4.315	4.269	4.316
NIFTY 50	22441	22521	22468	22397	-
SENSEX	74051	74169	74049	73782	-

INDIA BOND YIELD (%)



KEY 10-YR YIELDS (%)



Indian Debt Market update:

➤ Indian government bond yields remained steady, with the 10-year yield edging up to 6.6902% from 6.6806% after the RBI excluded it from next week's bond purchase. Market participants awaited U.S. nonfarm payroll data (expected at 160,000 vs. 143,000 prior) to assess the Fed's rate trajectory. The RBI plans to buy ₹500 billion (\$5.74 billion) in bonds on March 12 and 18, followed by a \$10 billion dollar/rupee swap on March 24, maintaining surplus liquidity after injecting over ₹4.5 trillion since mid-January

➤ India's industrial production grew by 5% in January 2025, while manufacturing output rose by 5.5% year-on-year. Meanwhile, inflation eased to 3.61% in February from 4.31% in January. Long-term averages show steady growth, but extreme fluctuations were observed during the pandemic.

➤ The Indian bond market remains resilient amid global volatility as the RBI implements liquidity measures and rate cuts, with predictions of further reductions. Key economic indicators show easing inflation, improved GDP growth, and stable demand-supply dynamics. Investors are advised to focus on long-duration bonds and gilt funds for potential gains

➤ Indian government bond yields remained steady on Thursday, with the benchmark 10-year yield at 6.6835%. While domestic retail inflation eased to 3.61% last month, the market is cautious due to global trade war concerns. Some expect the RBI to cut rates further, with a possible 25 basis points cut in April.

Upcoming auction schedule:

18th March

RBI announced the state auction, in which 11 states will be raising aggregating to 40,120 crores.

19th 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	16557	8802	148673
Mar 4	5855	143	217894
Mar 5	5089	189	183358
Mar 6	4442	1687	180550
Mar 7	12345	4651	126042
Mar 8	-	488	51708

MONEY MARKET SNAPSHOT

Item	Week Ended		
	MAR 8. 2024	FEB 28. 2025	MAR 1. 2025
	1	2	3
Call Money	16697	25329	23805
Notice Money	1100	10311	942
Triparty Repo	541029	802167	623274
Market Repo	563137	627685	589494
Repo in Corporate Bond	2553	7237	6904

MOST ACTIVELY TRADED DEBT

Paper	Yield (%)	LTP
NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT SR	7.5029	99.5830
TELANGANA STATE INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED	9.1575	103.0483
LARSEN AND TOUBRO LIMITED 7.20 NCD 22JN35 FVRS1LAC	7.2367	100.0529
SAMMAAN CAPITAL LIMITED 9.75 NCD 12AP28 FVRS1LAC	10.0072	99.3400

Currency Movement:

- The Indian rupee strengthened by 64 paise on Tuesday, marking its biggest single-day gain in nearly two years, closing at 83.83 per dollar following strong RBI intervention. The surge triggered stop losses on speculative short positions, leading to unwinding of long dollar bets, traders said. The rupee peaked at 83.75 during the day, its largest one-day gain since November 2022, after weakening on Monday.
- The Indian rupee strengthened on Tuesday, closing at 87.2125 per U.S. dollar, up 0.1%, supported by likely RBI intervention and a weaker dollar, which hit its lowest level since November. Earlier in the session, the rupee fell to 87.3850 due to dollar bids from maturing NDF positions but later recovered as Asian currencies, led by the offshore Chinese yuan, gained. The dollar index dropped 0.5% to 103.3 amid concerns over U.S. policy uncertainty under President Trump, trade tariff impacts, and a sharp selloff in U.S. equities. Traders increased bets on Fed rate cuts, pricing in 85 bps of easing this year, up from 75 bps on Monday. Dollar-rupee forward premiums rose, with the 1-year implied yield increasing by 4 bps to 2.20% following a decline in U.S. bond yields.

	10 MAR	11 MAR	12 MAR	13 MAR	14 MAR
OPEN	87.1	87.3	87.1	87.1	86.9
HIGH	87.3	87.3	87.3	87.3	87.0
LOW	87.1	87.1	87.1	86.9	86.8
CLOSE	87.2	87.1	87.1	86.9	86.9

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:

- ▶ The Fed is expected to hold rates steady in March, with focus on economic projections and potential 2025 cuts. Key US data on retail sales, industrial production, and housing will offer economic insights, while PMI shows manufacturing growth but slowing services.
- ▶ The Bank of England is expected to hold rates steady on Thursday, with cuts anticipated later in 2025. February PMI data showed persistent price pressures, while UK labor market reports for January and February indicate further weakening conditions.
- ▶ Japan and Indonesia's central banks are set to meet next week with no rate changes expected. Focus shifts to key data releases, including China's activity data and Japan's inflation and trade figures. February's Caixin China PMI showed the fastest business activity growth in three months, driven by improvements in manufacturing and services.

WEEK AHEAD KEY EVENTS

DATE	EVENTS
17-Mar	China (Mainland) Industrial Production, Retail Sales, Fixed Asset Investment, United States Retail Sales, United States NAHB Housing Market Index
18-Mar	Eurozone Trade, Canada Inflation, United States Industrial Production, Eurozone ZEW Economic Sentiment
19-Mar	United States FOMC Interest Rate Decision, South Africa Inflation
20-Mar	United Kingdom BoE Interest Rate Decision, New Zealand GDP, China (Mainland) Loan Prime Rate, United Kingdom Labour Market Report, United States Existing Home Sales
21-Mar	Japan Inflation, Canada Retail Sales, Canada New Housing Price