

WEEKLY REPORT

INDIAN DEBT MARKET

1st March 2025

Key Headlines from the week:

- The 10-year benchmark yield concluded the week at 6.7286, at 2.21 bps above the previous week's closing figure.
- The weekly movement in spreads include 10Y Indian Treasuries (2.21 bps above), 10Y UST (22.2 bps below), 10Y Bund (4.75 bps below), and 10Y UKT (2.15 bps below).
- U.S. jobless claims rose to 242K, exceeding forecasts of 222K and the prior 220K figure, signaling potential labor market weakness. This unexpected increase may impact Fed policy and weighs on the U.S. dollar.

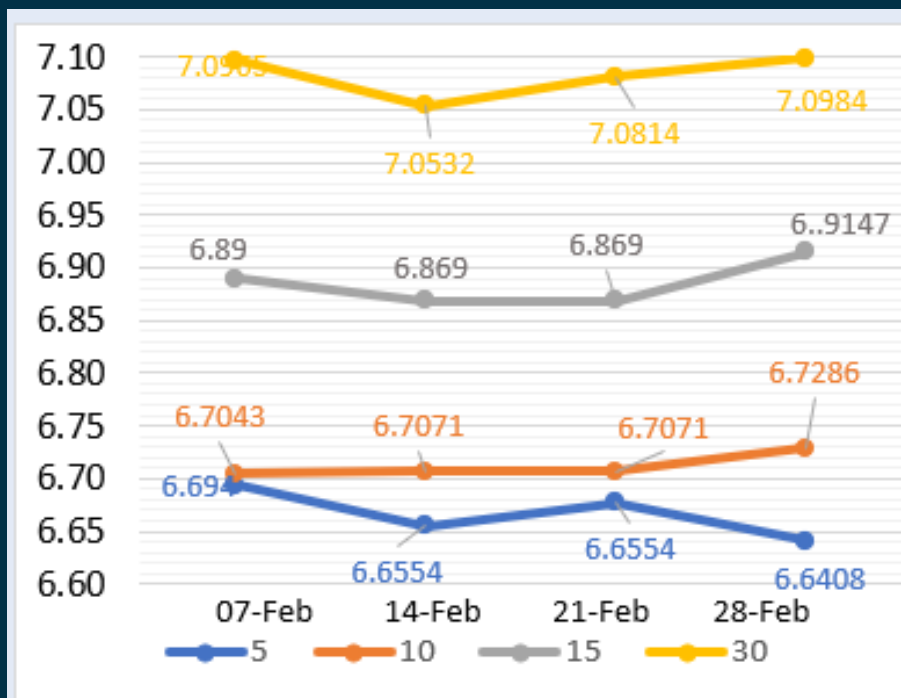
Key Headlines from the week:

- ▶ Japan's industrial production fell 1.1% in January, while retail sales surged 3.9% YoY, reflecting strong consumer spending. The BOJ raised rates to 0.5%, its highest in 17 years, with potential further hikes as inflation stays above target.
- ▶ French inflation fell to 0.9% in February, the lowest in four years, driven by a sharp decline in energy prices, while food prices edged up slightly and service price increases slowed.
- ▶ Euro zone inflation slowed while growth remained weak, reinforcing expectations for further ECB rate cuts. Falling price pressures, especially in France and Germany, support the view that inflation is nearing the 2% target. However, economic stagnation persists amid trade uncertainties, prompting investors to anticipate multiple rate cuts beyond March.
- ▶ Investor concerns over Trump's impending tariffs triggered a sell-off in risk assets, sending the Australian dollar lower and Bitcoin tumbling below \$80,000. Cryptocurrencies faced record outflows, while markets awaited U.S. core PCE inflation data. The dollar gained as traders adjusted Fed rate cut expectations amid economic uncertainty.

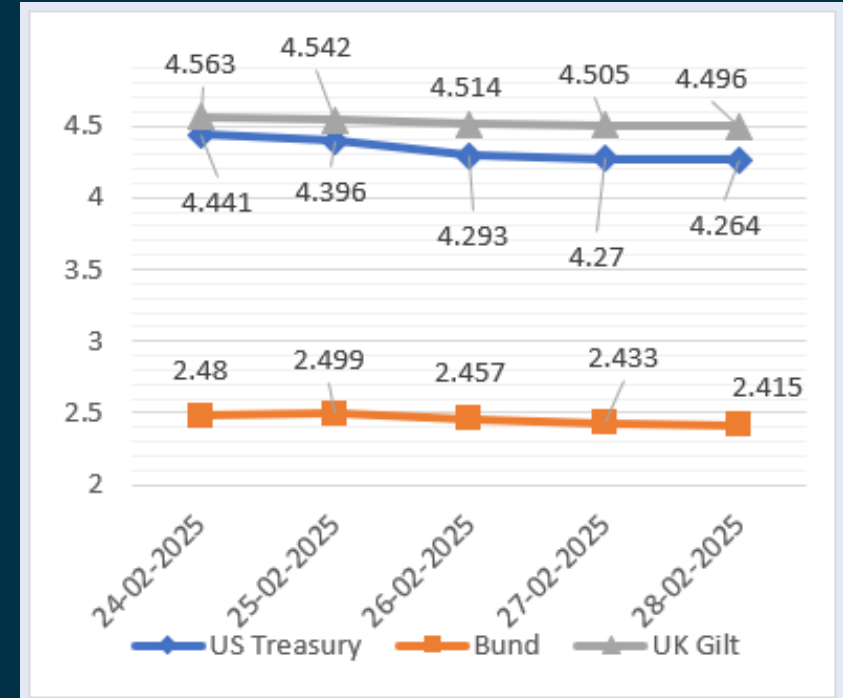
MARKET OVERVIEW

	28 FEB	27 FEB	26 FEB	25 FEB	24 FEB
USD/INR	87.32	87.108	87.086	86.698	86.655
OIL	73.31	72.26	72.63	74.26	73.76
GOLD	2887	2937	2929	2968	2950
India 10Y	6.7286	6.7086	-	6.7065	6.7036
US 10 YR	4.264	4.270	4.293	4.396	4.441
NIFTY 50	22126	22509	-	22526	22548
SENSEX	73192	74564	-	74492	74456

INDIA BOND YIELD (%)



KEY 10-YR YIELDS (%)



Indian Debt Market update:

- The World Bank's new report states that India must sustain 7.8% average growth over the next 22 years to achieve high-income status by 2047. This requires higher investments, increased labor force participation, and faster productivity growth. Key policy areas include boosting investment, job creation, structural reforms, trade integration, and state-led growth.
- India's infrastructure output grew 4.6% YoY in January, supported by strong growth in cement (14.5%) and refinery products (8.3%), though crude oil and natural gas production declined. Steel production (3.7%) and coal output (4.6%) slowed compared to December, while electricity generation (1.3%) and fertilizer production (3%) showed moderate growth.
- India revised its GDP growth forecast slightly upward to 6.5% for FY 2023-24, compared to its earlier estimate of 6.4%.
- India and the UK have resumed negotiations for a free trade agreement, aiming to double bilateral trade within a decade. Commerce Minister Piyush Goyal highlights India's willingness to reduce tariffs and the ongoing discussions for a social security agreement. Goyal emphasizes the need for more liberal visa issuance to boost trade and investment.
- In the SDL auction conducted on 25th February, 16 states raised an aggregate amount of ₹ 38,054 Cr. RBI announced the auctions of Government of India dated securities of 32,000 crores namely 6.79% GS 2031 for 10,000, 6.92% GS 2039 for 12,000, and 7.09% GS 2054 for 10,000.

Upcoming auction schedule:

4th March

·RBI announced the state auction, in which 14 states will be raising aggregating to 50,500 crores.

5th 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
Feb 17	157427	1471	112137
Feb 18	71773	1359	97359
Feb 19	-	6529	85144
Feb 20	132938	760	137648
Feb 21	193924	500	135990
Feb 22	-	285	64888

MONEY MARKET SNAPSHOT

Item	Week Ended		
	FEB 23. 2024	FEB 14. 2025	FEB. 21, 2025
	1	2	3
Call Money	19049	22880	23232
Notice Money	1055	6963	1004
Triparty Repo	576941	788692	648196
Market Repo	531995	658149	521248
Repo in Corporate Bond	2511	7343	7841

MOST ACTIVELY TRADED DEBT

Paper	Yield (%)	LTP
TELANGANA STATE INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED	9.1765	102.6761
SAMMAAN CAPITAL LIMITED 9.75 NCD 12AP28 FVRS1LAC	10.2821	97.7800
POWER FINANCE CORPORATION LIMITED SR BS216 7.13 BD 15JL26 FVRS10LAC	7.5836	99.3653
POWER FINANCE CORPORATION LIMITED SR 246A 7.42 BD 15AP28 FVRS1LAC	7.4295	100.0000

Currency Movement:

- The rupee weakened by 19 paise to 87.39 against the dollar on February 27, following US President Donald Trump's reaffirmation of tariff plans on Mexico and Canada, along with a warning of 25% levies on EU goods, unsettling markets. Opening at 87.26 from its previous close of 87, the currency faced pressure as the dollar index climbed to 106.621 from 106.416. Renewed trade tensions and Trump's confirmation that tariffs on Canada and Mexico will take effect on April 2 contributed to global market volatility, with concerns rising over potential EU retaliation, according to Amit Pabari of CR Forex Advisors.
- Increased volatility in the Indian rupee over the past few months has driven a surge in open interest futures contracts in the currency derivatives market. NSE data shows that open interest ranged between 7-8 crore contracts per month from October to February, the highest since May last year. Open interest represents outstanding derivative contracts that have not yet been settled, and its rise indicates heightened hedging activities by corporates, banks, and financial institutions amid rupee fluctuations.

	24 Feb	25 Feb	26 Feb	27 Feb	28 Feb
OPEN	86.6	86.6	87.0	87.1	87.3
HIGH	86.7	87.2	87.2	87.4	87.5
LOW	86.5	86.6	87.0	87.1	87.2
CLOSE	86.6	87.1	87.1	87.3	87.4

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	2.9	3.15
JAPAN	0.50	0.25

Key updates and week ahead:

- ▶ February global PMI data, including manufacturing on Monday and services/composite on Wednesday, will provide insights into economic trends, with Japan showing growth while the UK, eurozone, and US remain sluggish. Key focus areas include inflation trends, business sentiment, and US policy uncertainties. In the Americas, the US labor market report on Friday is expected to reflect weakening employment trends, with ISM and PMI data offering further economic signals.
- ▶ The ECB is expected to cut rates by 25 bps in its March meeting as eurozone PMI data indicates stalled economic growth, though rising selling price inflation may concern policymakers. Key updates include the eurozone's flash CPI and Q4 GDP. In APAC, China will release trade and inflation data, while Australia's Q4 GDP and trade figures will be closely watched. PMI data suggests Australia's private sector ended Q4 weakly, but February showed signs of recovery with the fastest business activity expansion in six months.

WEEK AHEAD KEY EVENTS

DATE	EVENTS
03-Mar	Worldwide Manufacturing PMIs, incl. global PMI, UK Mortgage Lending and Approval, US ISM Manufacturing PMI
04-Mar	Eurozone Unemployment Rate, South Africa GDP, South Korea Industrial Production, Retail Sales
05-Mar	Worldwide Services, Composite PMIs, inc. global PMI, US ISM Service PMI, Australia GDP
06-Mar	United Kingdom Trade, Eurozone Retail Sales, Canada Trade, United Kingdom Construction PMI, Eurozone Construction PMI
07-Mar	United States Non-Farm Payrolls, Unemployment Rate, Average Hourly Earnings, Eurozone GDP, Canada Unemployment, Germany Factory Orders, China (Mainland) Trade