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WEEKLY REPORT
INDIAN DEBT MARKET
8TH February 2025

Key Headlines from the week:

- The 10-year benchmark yield concluded the week at 6.7043, at 1.43 bps above the previous week's closing figure
- The weekly movement in spreads include 10Y Indian Treasuries (1.43 bps above), 10Y UST (4 bps BELOW), 10Y Bund (8 bps BELOW), and 10Y UKT (7 bps BELOW)
- The U.S. Federal Reserve remains inclined toward rate cuts this year, though uncertainty over tariffs, immigration, and regulatory policies under the Trump administration could impact future decisions, according to Richmond Fed President Tom Barkin.

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Key Headlines from the week:

- The Bank of England cut interest rates by 25bps to 4.5% to support the sluggish UK economy, despite inflationary pressures remaining above the 2% target; with wage growth expected to slow, investors anticipate at least three more rate cuts by the end of 2025.

- China retaliated against Trump's 10% tariffs on all Chinese imports with targeted tariffs on U.S. coal, LNG, crude oil, and electric trucks, along with export controls on key metals and an anti-monopoly probe into Google. While Beijing seeks negotiations, Trump hinted at further tariffs on China and the EU, fueling market volatility. .

- German industrial orders surged 6.9% in December, far exceeding the 1.9% forecast, driven by large-scale orders for aircraft, ships, and military vehicles, signaling strong capital goods demand and potential manufacturing recovery.

- TU.S. job growth slowed to 143,000 in January, with unemployment easing to 4.0% and wages rising 0.5%. The Fed remains cautious, holding rates at 4.25%-4.5%. Consumer sentiment weakened, inflation expectations rose, and markets turned lower on concerns over Trump's tariff policies.

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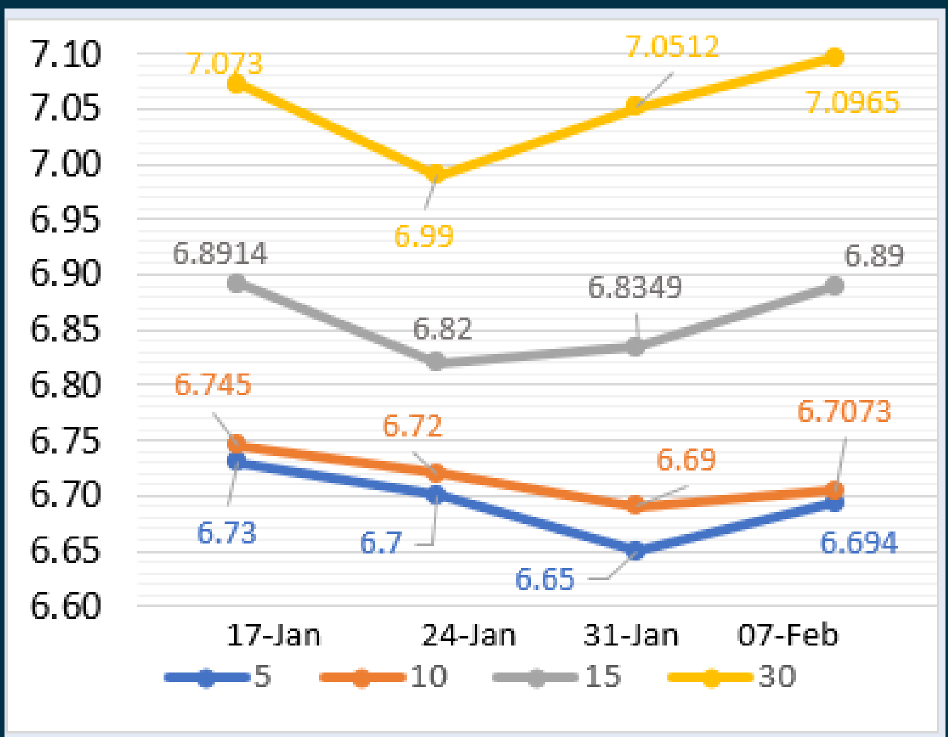
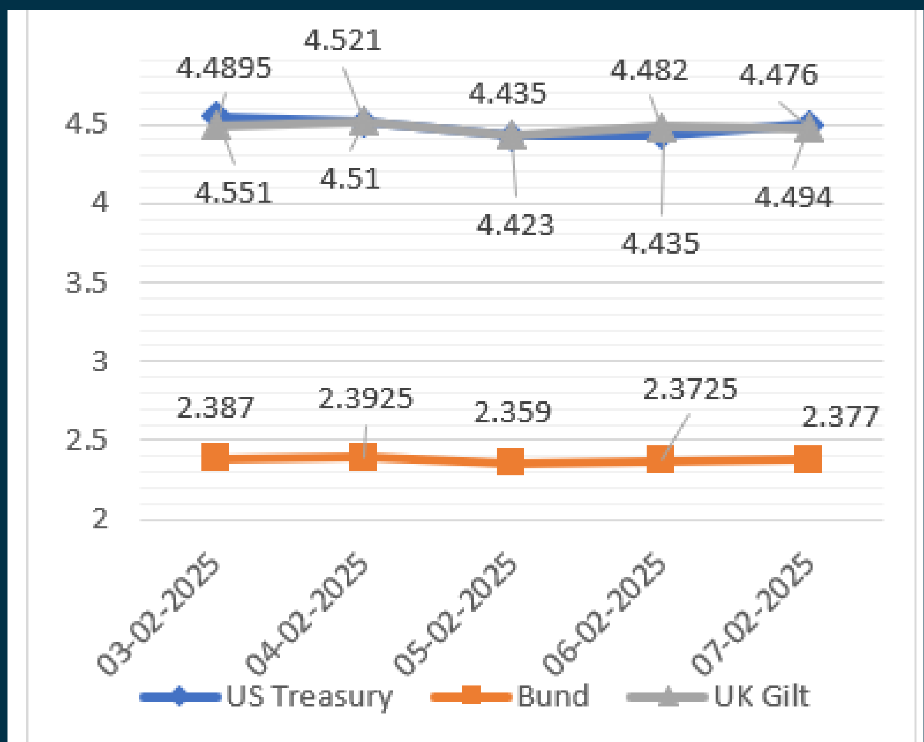
MARKET OVERVIEW

	03 FEB	04 FEB	05 FEB	06 FEB	07 FEB
USD/INR	86.96	87.07	87.34	87.58	87.62
OIL	75.96	76.20	74.61	74.29	74.69
GOLD	2857.10	2875.80	2893	2876.70	2892.3
India 10Y	6.670	6.672	6.664	6.657	6.7043
US 10 YR	4.551	4.512	4.423	4.435	4.494
NIFTY 50	23359	23706	23686	23627	23561
SENSEX	77181	78415	78263	78133	77846

INDIA BOND YIELD (%)



KEY 10-YR YIELDS (%)



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Indian Debt Market update:

- The RBI's Monetary Policy Committee (MPC) cut the repo rate by 25 basis points to 6.25%, maintaining a neutral stance while focusing on inflation and growth. RBI Governor Sanjay Malhotra emphasized ensuring sufficient liquidity, monitoring the rupee, and addressing global uncertainties. With the government's fiscal deficit target reduced to 4.4% of GDP for 2025-26, lower market borrowings provide the RBI more room for a soft monetary policy. Additionally, the government's fiscal measures, including significant income tax cuts, aim to boost consumer spending and accelerate economic growth.

- The RBI raised India's real GDP growth forecast for 2025-26 to 6.7%, driven by a strong rabi crop, industrial recovery, and robust household consumption supported by tax relief. CPI inflation is expected to moderate to 4.2% in 2025-26, aided by easing food prices and stable core inflation

- The RBI is expected to continue "easing by stealth" through unconventional liquidity measures, including additional OMOs (~₹900 billion in FY25E), potential CRR adjustments, and relaxation in LCR norms, while inflation is projected to ease to 4.4% in Q4FY25 and 4.5% in FY26, supporting a gradual policy easing stance beyond rate cuts.

- RBI announced the auctions of Government of India dated securities of 22,000 crores namely 6.92% GS 2039 for 12,000, and 7.09% GS 2054 for 10,000

- In the SDL auction conducted on 04th January, 13 states raised an aggregate amount of ₹ 33,420.061 Cr

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Upcoming auction schedule:

11th February

RBI announced the state auction, in which 9 states will be raising aggregating to 18,319 crores

12th February

RBI announced the auction of T bills for 91 days, 182 days, and 364 days for 12000, 8000, & 8000 crores respectively.

LQUIDITY OPERATION

Date	VRR	MSF	SDF
Jan 27	193661	682	55881
Jan 28	139281	1779	1779
Jan 29	166833	522	522
Jan 30	117354	3099	3099
Jan 31	100031	6311	6311
Feb 01	-	517	517

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MONEY MARKET SNAPSHOT

Item	Week Ended		
	FEB 02. 24, 2024	JAN. 24, 2025	JAN. 31, 2025
	1	2	3
Call Money	19483	20631	23225
Notice Money	5969	1396	5395
Triparty Repo	687384	649147	744181
Market Repo	635275	525850	606457
Repo in Corporate Bond	1980	6711	7411

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

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Currency Movement:

- The Indian rupee hit a record low of 87.487/$ before recovering to 87.465, driven by rate cut speculation and stop-loss triggers. Heavy dollar buying by foreign banks and importers added pressure, making it the weakest Asian currency despite a softer dollar index. The RBI's intervention was limited, while 10-year bond yields stood at 6.66%. A 56-day VRR auction of ₹50,000 crore is set for February 7 alongside the MPC meeting.

- India's forex reserves rose for the second straight week to $630.6 billion as of Jan 31, up $1.1 billion. RBI's market intervention and forex asset fluctuations drove the increase. The rupee fell 0.9% during the week, hitting a record low of 86.6525/$ amid portfolio outflows and U.S. trade policy concerns. On Feb 2, it stood at 87.4750/$, down 1% for the week.

- IThe Indian rupee rebounded 0.2% to 87.4250/$ on Friday after hitting a record low earlier in the week but still ended with a 1% weekly decline. The RBI's first rate cut in nearly five years had little impact on the rupee, as Governor Sanjay Malhotra reaffirmed the central bank's FX intervention policy aimed at curbing excessive volatility.

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INR-DOLLAR EXCHANGE

	03 Feb	04 Feb	05 Feb	06 Feb	07 Feb
OPEN	86.9	86.9	87.1	87.3	87.5
HIGH	87.3	87.1	87.5	87.6	87.6
LOW	86.8	86.9	87.0	87.3	87.3
CLOSE	86.9	87.0	87.3	87.5	87.6

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

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Key updates and week ahead:

- Wall Street faces a key test next week as fresh U.S. inflation data and President Trump's tariff plans fuel market uncertainty. While the S&P 500 remains near record highs, concerns over inflation and trade policies may impact Fed rate cut expectations. Markets currently price in over an 80% chance of steady rates in March, with one to two cuts expected by year-end. However, some analysts, including Morgan Stanley, have trimmed rate cut forecasts, citing policy uncertainty. Corporate earnings from major firms like Coca-Cola, Cisco, and McDonald's will also be closely watched, with S&P 500 earnings on track for 12.7% YoY growth in Q4.

- Next week's key economic events will shape market sentiment, with U.S. CPI data (Feb 12) being the focal point as investors assess inflation's impact on Fed rate expectations. Japan's PPI (Feb 10) and Germany's ZEW sentiment index (Feb 11) will provide insights into price pressures and economic outlook. The UK's jobless claims (Feb 11) and U.S. initial jobless claims (Feb 13) will gauge labor market strength. Eurozone industrial production (Feb 13) and China's trade balance (Feb 14) will indicate global demand trends, while U.S. consumer sentiment (Feb 14) will reflect spending confidence.

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WEEK AHEAD KEY EVENTS

DATE	EVENTS
10-Feb	Japan current account, Japan Bank Lending rate, BoC market participants, China loan growth
11-Feb	Fed Chair Powell Testimony, Fed Hammack Speech, France employment rate, Russia Balance of trade, US business optimism index
12-Feb	Fed Bowman Speech, US API crude oil stock exchange, India inflation rate, India industrial production, India manufacturing Production, US Core Inflation rate, US CPI, OPEC report
13-Feb	Eurozone Industrial Production, US PPI, US Core PPI, US Budget Statement, US Bond auction
14-Feb	US Fed Balance sheet, India WPI food index, India Bank loan growth, India Balance of Trades