

WEEKLY REPORT

INDIAN DEBT MARKET

15TH February 2025

Key Headlines from the week:

- The 10-year benchmark yield concluded the week at 6.7043, at 0.28 bps above the previous week's closing figure.
- TThe weekly movement in spreads include 10Y Indian Treasuries (0.28 bps above), 10Y UST (1.74 bps below), 10Y Bund (4.6 bps above), and 10Y UKT (2.3 bps above)
- The euro zone economy showed slight growth in Q4 2024, with GDP rising 0.1%, but employment stagnated, and weak consumption, industrial recession, high energy costs, and U.S. tariff threats suggest continued economic sluggishness.

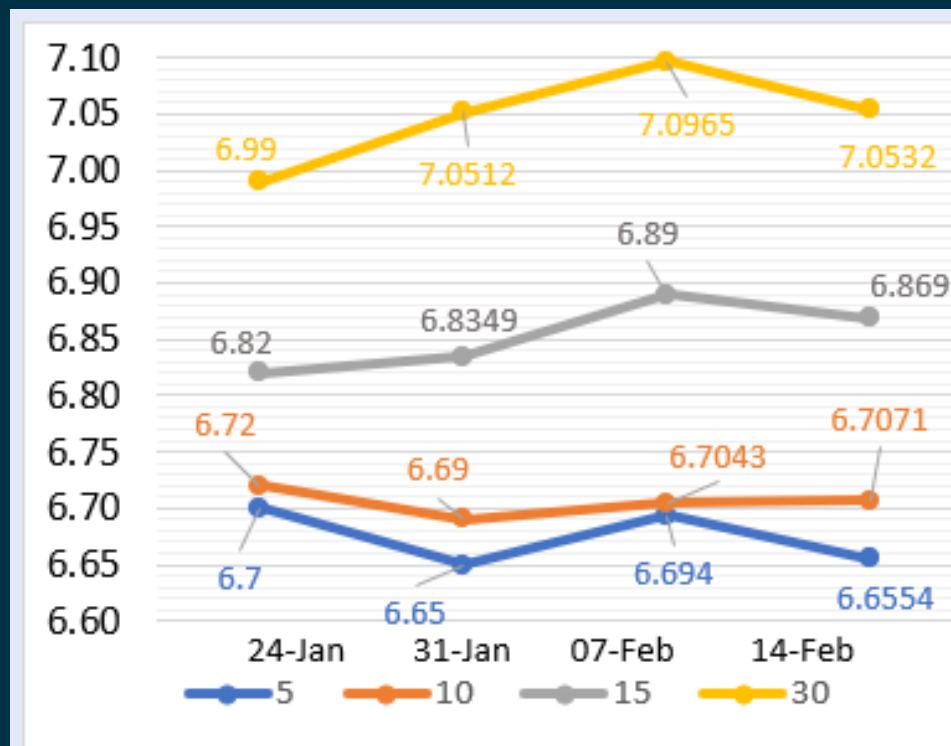
Key Headlines from the week:

- ▶▶ The Central Bank of Russia kept its key rate at 21%, citing inflation concerns despite pressure for cuts, with no rate reduction expected before the second half of 2025, as inflation may peak at 10.3% in April amid economic constraints.
- ▶▶ The U.K. economy grew by 0.1% in Q4 2024, avoiding a recession, but weak growth, rising costs, and uncertain trade conditions suggest a sluggish 2025; with rate cuts expected the Bank of England downgraded 2025 growth forecasts from 1.5% to 0.75%, signalling continued economic struggles.
- ▶▶ 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.
- ▶▶ Japan's wholesale inflation surged to a seven-month high of 4.2% in January, driven by rising food and raw material costs, reinforcing expectations of a BOJ rate hike in 2024. While inflationary pressures persist, weak consumer sentiment may delay aggressive tightening, with markets pricing in a July rate hike amid rising U.S. yields and a weaker yen.

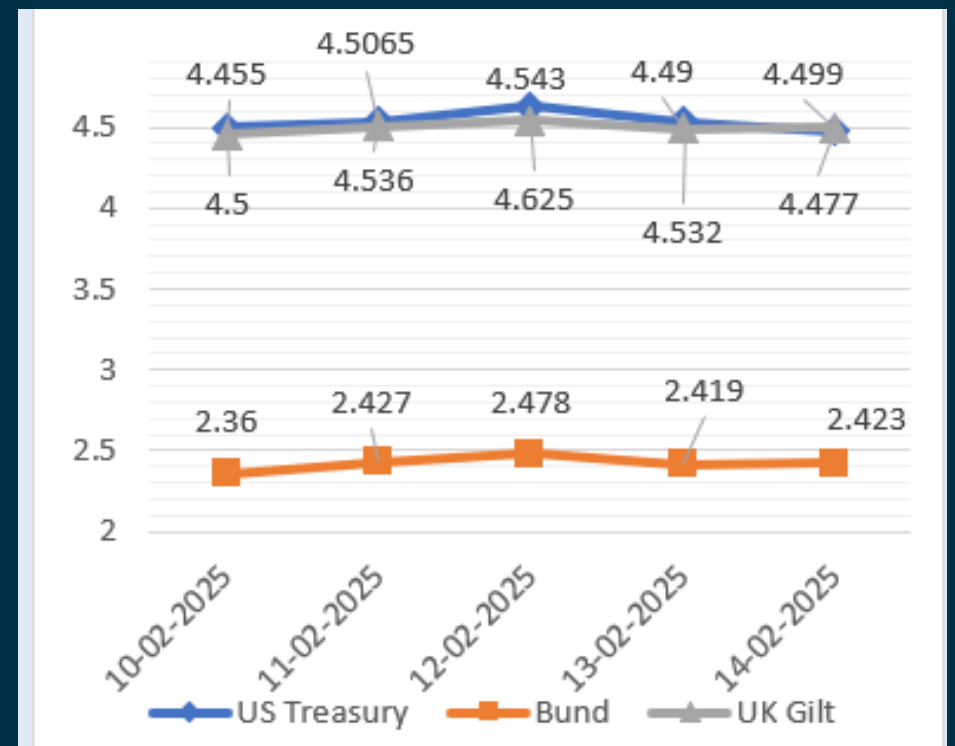
MARKET OVERVIEW

	10 FEB	11 FEB	12 FEB	13 FEB	14 FEB
USD/INR	87.46	86.78	86.90	86.69	86.62
OIL	75.87	77.00	75.18	75.02	74.74
GOLD	2934	2932	2928	2945	2900
India 10Y	6.7128	6.6983	6.7022	6.7103	6.7071
US 10 YR	4.500	4.536	4.625	4.532	4.477
NIFTY 50	23377	23070	23059	23019	22897
SENSEX	77294	76296	76294	76092	75851

INDIA BOND YIELD (%)



KEY 10-YR YIELDS (%)



Indian Debt Market update:

- India's retail inflation eased to 4.31% in January 2025, down from 5.22% in December, primarily due to slowing food price rises. This decline was better than the Reuters poll estimate of 4.6% and offers relief to households heavily impacted by food costs. Cooling vegetable prices and a healthy kharif crop output significantly contributed to the moderation.
- The RBI's aggressive FX intervention to support the rupee has significantly drained banking system liquidity, prompting a record ₹2.5 trillion infusion via an overnight repo to ease tight conditions and ensure effective rate cut transmission.
- India's Wholesale Price Index (WPI) inflation eased to 2.31% in January 2025 from 2.37% in December 2024, driven by a 3.62% drop in food prices, while fuel prices rose 0.47%, and manufactured product prices saw a marginal 0.14% increase.
- The Income Tax Bill, 2025, introduced by Finance Minister Nirmala Sitharaman, aims to simplify and modernize India's tax framework by replacing the 1961 Income Tax Act with clearer provisions, reducing legal disputes, and making the system more taxpayer-friendly, without altering tax slabs or rebates.
- India and the U.S. aim to boost bilateral trade to \$500 billion, focusing on semiconductors, AI, critical technologies, and defence collaboration, under initiatives like iCET, INDUS Innovation Bridge, and TRUST, despite tariff challenges.

Upcoming auction schedule:

18th February

RBI announced the state auction, in which 12 states will be raising aggregating to 29,800 crores

20th February

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 03	48785	1170	113121
Feb 04	25001	378	158816
Feb 05	21180	408	147577
Feb 06	21674	193	122506
Feb 07	183023	13020	95691
Feb 08	-	5172	43861

MONEY MARKET SNAPSHOT

Item	Week Ended		
	FEB 09. 24, 2024	JAN. 31, 2025	FEB 09. 07, 2024
	1	2	3
Call Money	18838	23225	23493
Notice Money	766	5395	968
Triparty Repo	534316	744181	645390
Market Repo	562926	606457	568944
Repo in Corporate Bond	2068	7411	8450

MOST ACTIVELY TRADED DEBT

Paper	Yield (%)	LTP
SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA SR VII 7.42 BD	7.4237	99.97
TELANGANA STATE INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED	9.2604	100.25
NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT	7.3950	100.9050

Currency Movement:

- ▶ The rupee appreciated 8 paise to 86.85 against the US dollar, influenced by a retreat in the American currency and positive trends in domestic equity markets. However, foreign fund withdrawal and high crude oil prices continued to pressure the rupee. Severe volatility has characterized the past few months due to global macroeconomic uncertainties.
- ▶ The Indian rupee hit a near two-week high on Wednesday following a significant intervention by the Reserve Bank of India, forcing the liquidation of bearish positions. The DBS Bank anticipates the rupee to weaken by mid-2025 due to the dollar's safe-haven appeal amidst U.S. trade tariffs and delayed Federal Reserve rate cuts.
- ▶ The Indian rupee hit a record low of 87.95 per U.S. dollar on Monday due to fears of new U.S. trade tariffs. The Reserve Bank of India likely intervened by selling dollars to prevent the rupee from falling further. President Trump announced plans to introduce 25% tariffs on steel and aluminium imports, impacting Asian currencies.

	10 Feb	11 Feb	12 Feb	13 Feb	14 Feb
OPEN	87.9	87.4	86.7	86.9	86.7
HIGH	87.9	87.5	87.1	87.1	86.9
LOW	87.4	86.6	86.3	86.6	86.5
CLOSE	87.4	86.7	86.9	86.6	86.6

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

Key updates and week ahead:

- ▶ Investors will closely track the January 28-29 FOMC meeting minutes for insights into the Fed's rate path, especially after Powell signalled no urgency for cuts amid rising inflation pressures seen in PMI and CPI data. Meanwhile, Canada's inflation data (due Tuesday) will be monitored, following PMI data indicating a slight cooling in inflationary pressures, primarily due to falling services costs.
- ▶ The UK will release inflation, labour market, and retail sales data alongside February flash PMI figures. January PMI data hinted at rising inflation and accelerating job cuts due to weak demand in manufacturing and services. While labour market data quality remains a concern, the KPMG/REC jobs report has already signalled a decline in employment at the start of 2025.
- ▶ Both the RBA and RBNZ will hold their February policy meetings, with rate cuts expected. Markets anticipate a 25-bps cut from the RBA, while the RBNZ's cut size remains uncertain between 25 and 50 bps

WEEK AHEAD KEY EVENTS

DATE	EVENTS
17-Feb	Japan GDP (Q4), Eurozone Balance of Trade, Japan Industrial Production
18-Feb	Australia RBA Interest Rate Decision, Canada Inflation, France Inflation, Eurozone ZEW Economic Sentiment
19-Feb	United States FOMC Minutes, Japan Trade, UK Inflation
20-Feb	Eurozone Consumer Confidence, Australia Employment, Germany PPI, China Loan Prime Rate
21-Feb	Eurozone HCOB Flash PMI, Manufacturing & Services, India HSBC Flash PMI, Manufacturing & Services, Eurozone HCOB Flash PMI, Manufacturing & Services, Japan Inflation, New Zealand Trade, Australia S&P Global Flash PMI, Manufacturing & Services