BONDWATCH

Daily

January 17, 2022

INDIA

- The benchmark 6.10% bond maturing in 2031 ended at 96.27 rupees, yielding 6.64%, highest since Jan. 20, 2020, compared with 96.64 rupees, and a yield of 6.58% on Friday.
- U.S. Treasury yields rose, with the benchmark 10-year yield rising nine basis points to end at its highest level in two years on Friday, as more Federal Reserve officials signaled that the rate-hiking cycle would begin in March, when its asset purchases end. The consumer price index in the world's largest economy also climbed to the highest in nearly four decades in December, further firming bets of aggressive policy normalization. The U.S. 10-year yield was last at 1.793%.
- Global oil prices climbed, with the benchmark Brent crude contract briefly rising to the highest since October 2018 on expectations that supply will remain tight, amid restrained output by major producers and as global demand is unlikely to be impacted by the Omicron coronavirus variant. The benchmark Brent crude contract was at $85.90 a barrel.
- The central bank has also stepped up its sale of government bonds in the secondary market, selling over 50 billion rupees of notes in the first week of 2022, the highest for any week since November 2017. It has net sold around 210 billion rupees in the nine weeks to Jan. 7, data showed.
- The Indian rupee dropped against the dollar for a second consecutive session, tracking losses in most regional peers and a further increase in crude oil prices. The rupee ended at 74.24 per dollar, compared with 74.15 on Friday. The unit had risen to an intraday high of 74.16 earlier in the session, thanks to dollar inflows from overseas fundraising.
- Repo: The weighted average call rates in the interbank segment decreased to 3.41% vs 3.42% as on day before yesterday, while that in the TREP segment increased to 3.47% vs 3.45% as on day before yesterday.

Market Observations

G-sec

- Bond yields rose for the second consecutive session, with the 10-year bond yield settling at its highest level in two years, tracking an uptick in U.S. Treasury yields and crude oil prices. Investor sentiment was further dented amid continuous devolvement at weekly auctions, and rising quantum of bond sales in the screen-based secondary market by the central bank.
- Conversion cut off came as per market expectations.
- Yield on India's new 10-year 6.54% 2032 bond, up 8 BPS since Friday and is expected to rise over the benchmark bond yield as supply increases with weekly auctions.

Corporate Bonds

- Sizable trade was seen in 2028 HDFC Infra.
- Majority of trades where observed in the 2-5 year segment tracking the 10 year Gsec.

CP

- Demand was seen in the 1-3 month segment. Mutual Funds showed interest in the shorter end.

CD

- 1-3 month maturity papers were in demand. 5 Year OIS rate at 5.63%, while one-year swap rate at 4.36%, and is expected to rise in the near term owing to policy normalization.

GOI Yield	17-Jan	14-Jan	13-Dec	20-Dec
1 Year	4.360	4.360	4.140	4.170
5 Year	6.035	5.970	5.688	5.760
10 Year	6.636	6.582	6.371	6.435

AAA Bmk	17-Jan	14-Jan	13-Dec	20-Dec
1 Year	4.80	4.75	4.45	4.60
5 Year	6.28	6.25	5.98	6.10
10 Year	7.10	7.00	6.80	6.90

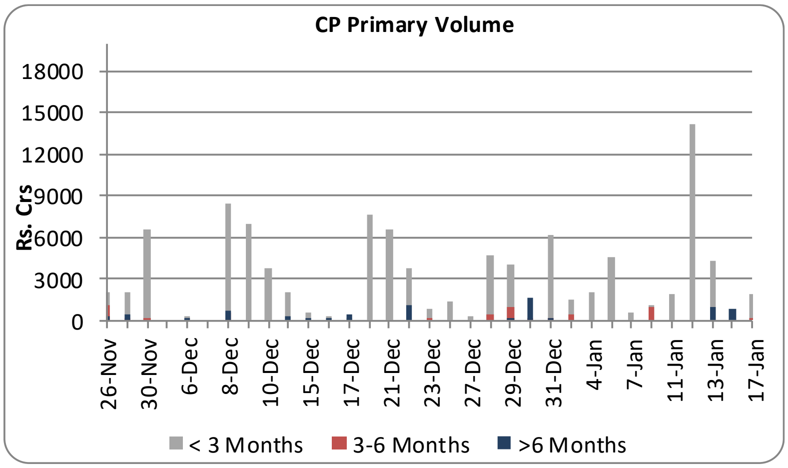
CD	17-Jan	14-Jan	13-Dec	20-Dec
3 Month	3.80	3.80	3.65	3.65
6 Month	4.00	4.00	3.95	3.95
1 Year	4.55	4.55	4.40	4.40

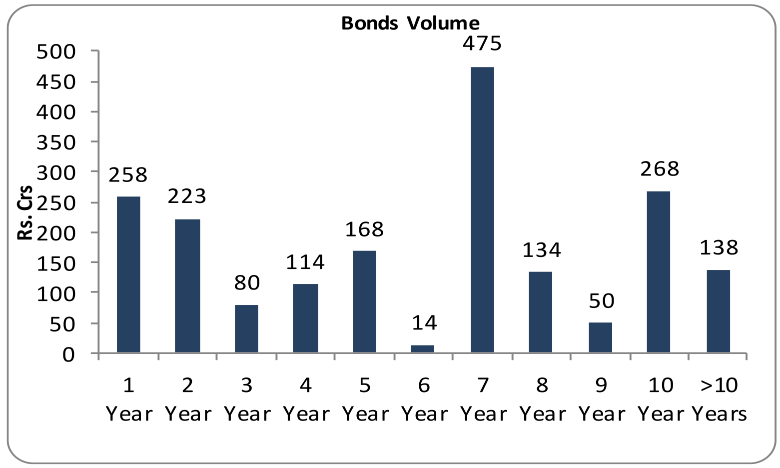
CP	17-Jan	14-Jan	13-Dec	20-Dec
3 Month	4.07	4.07	4.00	4.30
6 Month	4.67	4.67	4.65	4.75
1 Year	5.08	5.08	4.80	4.90

OIS Rate	17-Jan	14-Jan	13-Dec	20-Dec
1 Year	4.38	4.34	4.29	4.32
2 Year	4.92	4.85	4.80	4.81
3 Year	5.29	5.22	5.07	5.06
5 Year	5.63	5.55	5.38	5.32

	17-Jan	14-Jan	13-Dec	20-Dec
Sensex	61,309	61,223	58,283	55,822
Nifty	18,308	18,256	17,368	16,614
USD/INR	74.24	74.15	75.77	75.91
Gold (USD)	1,818	1,817	1,787	1,789
Oil (USD)	85.94	86.06	74.39	71.52

NDF	17-Jan	14-Jan	13-Dec	20-Dec
3 Month	75.21	75.02	76.38	76.39
1 Year	77.38	77.64	79.29	79.11
2 Year	81.02	81.17	82.72	82.83
3 Year	84.26	84.95	86.68	86.76





10 Year Benchmarks	17-Jan	14-Jan	13-Dec	20-Dec
India	6.64	6.58	6.37	6.44
US	1.79	1.79	1.41	1.43
South Korea	2.57	2.45	2.17	2.11
Russia	9.47	9.29	8.57	8.45
Brazil	11.27	11.27	10.59	10.67
Germany	-0.03	-0.05	-0.38	-0.37
China	2.79	2.80	2.86	2.86

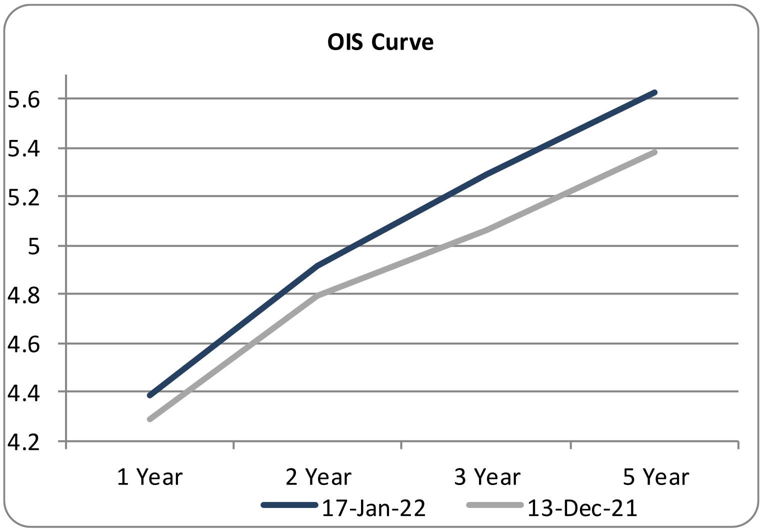
Top Traded Securities	Volume	17-Jan	14-Jan	13-Dec	20-Dec
5.15 GOI 2025	2,395	5.81	5.74	5.47	5.58
5.63 GOI 2026	175	5.93	5.88	5.69	5.76
5.74 GOI 2026	5,140	6.04	5.97	5.72	5.80
6.10 GOI 2031	290	6.64	6.58	6.37	6.44
6.64 GOI 2035	-	7.08	7.02	6.79	6.84
6.67 GOI 2035	10	7.08	7.03	6.77	6.83

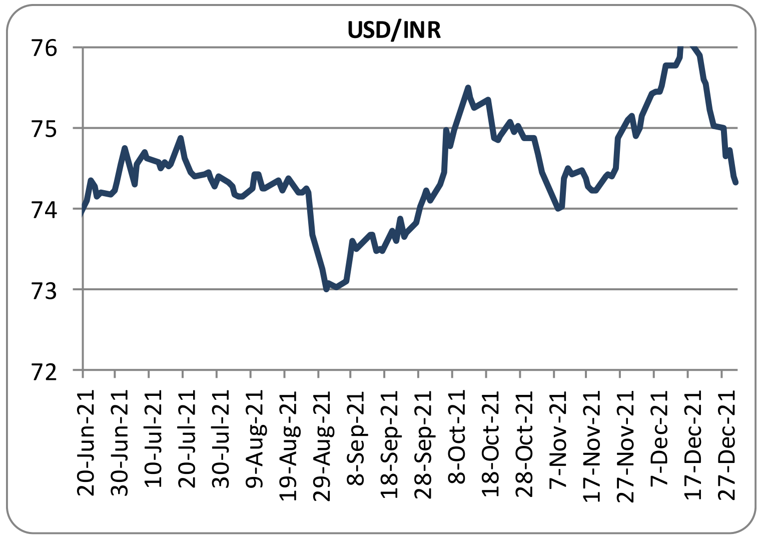
	DEBT			EQUITY			TOTAL (Rs.Crs)		
MF	Gross Purchase	Gross Sales	Net Investment	Gross Purchase	Gross Sales	Net Investment	Gross Purchase	Gross Sales	Net Investment
11-Jan-22	4453	4159	293	3949	3202	747	8401	7361	1040

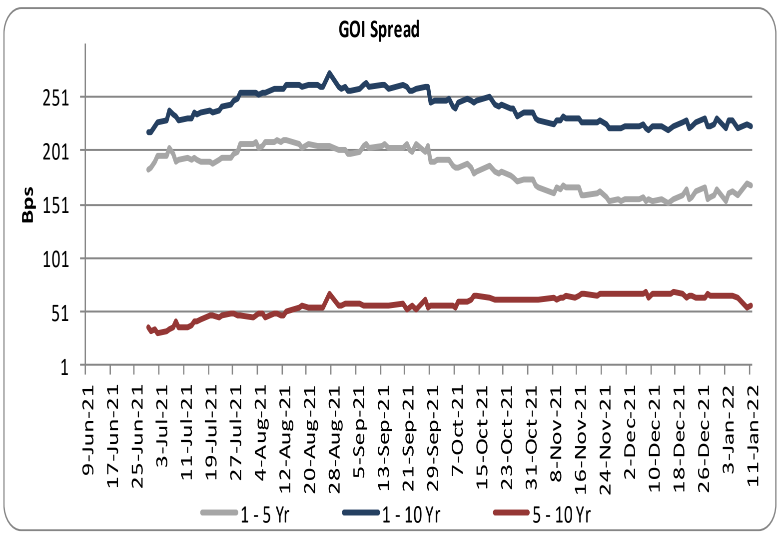
	DEBT			EQUITY			TOTAL (Rs. Crs)		
FII	Gross Purchase	Gross Sales	Net Investment	Gross Purchase	Gross Sales	Net Investment	Gross Purchase	Gross Sales	Net Investment
17-Jan-22	1629	196	1433	5041	7616	-2575	6670	7812	-1142

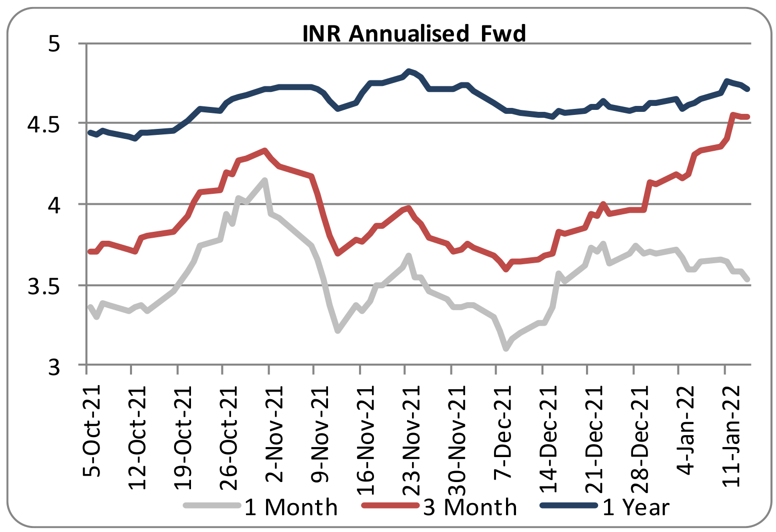
INDICATORS	PERIOD	ACTUAL	PRIOR
GDP Quaterly (%)	Sep-21	8.4	20.1
CAD ($ Bn)	Sep-21	-9.6	6.6
Trade Deficit ($ Bn)	Sep-21	-44.4	-30.7
WPI (%)	Dec-21	13.6	14.2
CPI (%)	Dec-21	5.6	4.9
IIP (%)	Nov-21	1.4	3.2
PMI Manufacturing	Dec-21	55.5	57.6
PMI Service	Dec-21	55.5	58.1

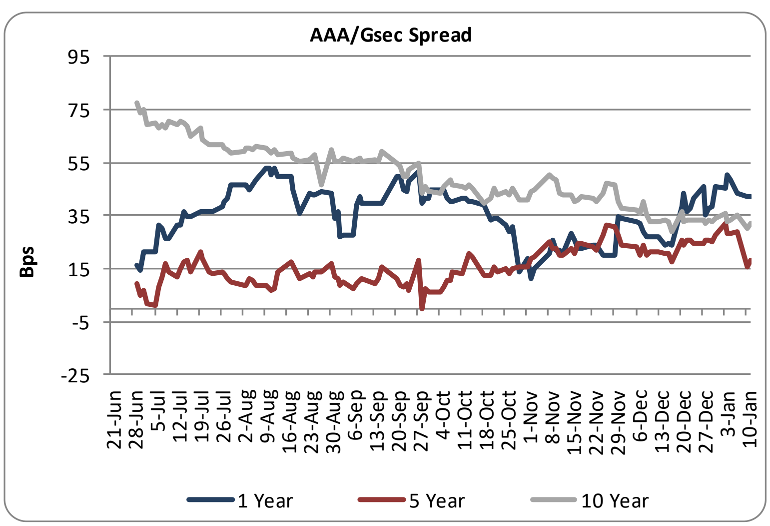
Economic Calender	Country	Date	Poll	Prior
Employment Rate	UK	18-Jan-22	4.20	4.20
CPI	UK	19-Jan-22	5.20	5.10
CPI	South Africa	19-Jan-22	5.70	5.50
Exports	Japan	20-Jan-22	16.00	20.50
Retail Sales	UK	21-Jan-22	3.40	4.70
Fed Policy Rate	USA	27-Jan-22	-	0-0.25
GDP Advance	USA	27-Jan-22	5.80	2.30
Industrial Ouput	South Korea	28-Jan-22	-	5.90

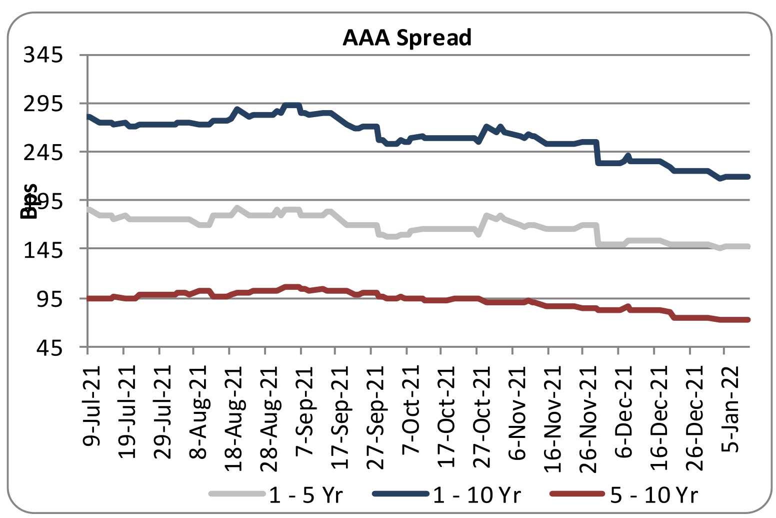

OIS Curve
1 Year
2 Year
3 Year
5 Year
17-Jan-22
13-Dec-21

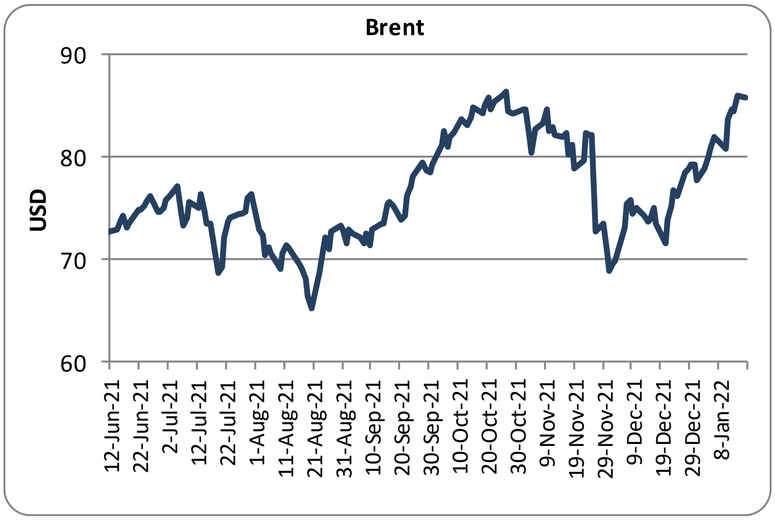

USD/INR

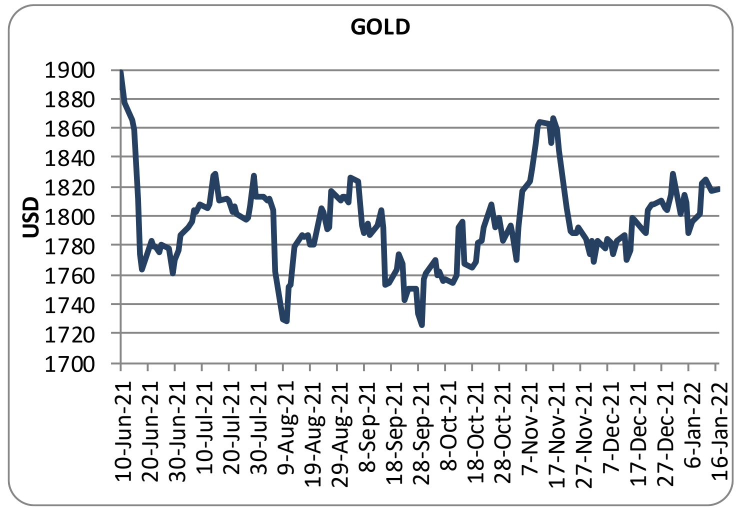

GOI Spread
Bps
1 - 5 Yr
1 - 10 Yr
5 - 10 Yr


INR Annualised Fwd
1 Month
3 Month
1 Year


AAA/Gsec Spread
Bps
1 Year
5 Year
10 Year


AAA Spread
Bps
1 - 5 Yr
1 - 10 Yr
5 - 10 Yr





Sources: Reserve Bank of India, Bloomberg, Reuters, CCIL and FIMMDA.

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