

# WEEKLY YIELD

## Update of Equity & Debt Market

February 24, 2023

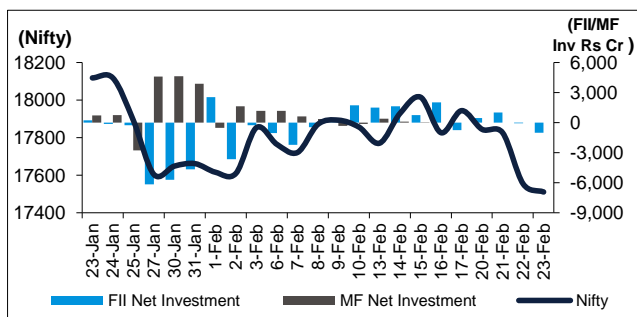


### DOMESTIC EQUITY

- Indian equity indices snapped previous week gains amid concerns that the Reserve Bank of India (RBI) and the United States (US) Federal Reserve (Fed) may continue to hike interest rates to control inflation. S&P BSE Sensex and Nifty 50 fell about 2.5% and 2.7%, respectively
- Fear of aggressive rate hikes strengthened further following strong US export price data.
- Additionally, heightening US-Russia geopolitical tensions also aided the downward trend
- All sectors ended negative with metal, realty and power declining the most. S&P BSE Realty, S&P BSE Metal and S&P BSE Power fell the most, by 5.7%, 3.6% and 3.2%, respectively

Broad Indices	Week change%	3 month change%	1 year change%
S&P BSE Sensex	-2.52	-4.51	9.05
Nifty 50	-2.67	-5.51	7.50
S&P BSE Midcap	-2.05	-4.80	8.64
S&P BSE Smallcap	-1.65	-4.88	8.64
S&P BSE Bankex	-2.77	-8.05	11.52
S&P BSE CG	-2.82	1.16	28.84
S&P BSE FMCG	-0.78	1.44	28.63
S&P BSE IT	-1.80	-0.05	-6.46
S&P BSE Healthcare	-1.18	-6.76	-2.26

Source: BSE, NSE



Source: SEBI, NSE



### GLOBAL EQUITY

- US stocks slumped this week after the Fed's policy minutes revealed that most of the officials were in favour of continuing rate hikes in future
- Britain's FTSE ended lower 1.2% on worries that the Bank of England and the Fed may continue with their rate hike plans, leading to a sell-off in banking, healthcare, mining and homebuilder shares
- Asian equities ended mixed. Japan's Nikkei fell 0.22%, mirroring similar sentiments in the US markets on rate hike worries
- Hong Kong's Hang Seng slumped 3.43% after the city's finance secretary announced smaller cash handouts (introduced during the pandemic) as a relief measure, huge sell-off in Techtronic shares, geopolitical tensions, and concerns over China's recovery post reopening
- China's Shanghai Composite advanced 1.3% after the country's Premier expressed optimism over recovery in the economy and assured support from the government
- However, investors remained worried over rising US-Sino geopolitical tensions as China and Russia vowed to deepen ties.



### DOMESTIC DEBT

Indicators	Feb 24, 2023	Previous Week	Trend
Call Rate	5.50%	6.15%	↓
3 M CP	7.84%	7.67%	↑
1 Yr CP	8.10%	8.02%	↑
3 M CD	7.42%	7.32%	↑
1 Yr CD	7.82%	7.75%	↑
5 Yr AAA	7.76%	7.77%	↓
1 Yr G-Sec*	7.27%	7.21%	↑
5 Yr G-Sec*	7.39%	7.34%	↑
10 Yr G-Sec*	7.42%	7.39%	↑
USD/INR*	82.75	82.83	↓

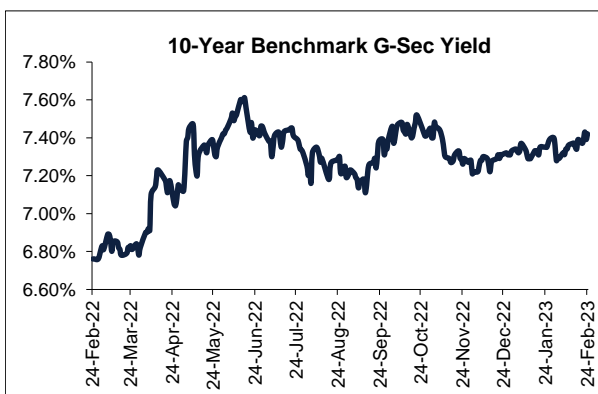
Source: CRISIL Fixed Income Database, RBI \*Weighted Average Yield

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- Government bond prices ended lower in the week ended February 24, 2023. The yield of the 10-year benchmark 7.26% 2032 paper closed at 7.42% on February 24, 2023 compared with 7.39% on February 17, 2023
- Domestic yields rose mirroring spike in US treasury yields amid upbeat jobs market and inflation data.
- Higher-than-expected cut-off yield for the 14-year bond at the weekly debt auction also buoyed the yield rally
- In the debt sale conducted on February 24, 2023 the central bank had auctioned 7.10% GS (government security) 2029, 7.41% GS 2036 and 7.40% GS 2062 for a total notified amount of Rs 26,000 crore
- However, the fall in bond prices was halted due to value buying by investors after the RBI's latest policy meeting minutes were not as hawkish as expected



Source: CRISIL Fixed Income Database



### GLOBAL DEBT

- US Treasury prices ended lower in the week as a set of economic data buoyed investor expectations of further rate hikes by the Fed in the coming month
- An unexpected fall in jobless claims and higher-than-expected inflation numbers indicated there is a room for the Fed to push the policy rate high in the upcoming policy meet
- However, a further rally in yields was halted after minutes of the Fed meeting revealed almost all officials agreed to slow the pace of increases in interest rates to a quarter of a percentage point
- Also, all participants continued to anticipate ongoing increases would be appropriate until data provided confidence that inflation was on a sustained downward path to 2%, which was likely to take some time
- Yield of the 10-year benchmark Treasury bond ended at 3.88% on February 23, 2023 compared with 3.83% on February 17, 2023



### DOMESTIC NEWS

- Retail inflation for farm and rural workers rose to 6.85% and 6.88%, respectively, in January 2023, compared to 6.38% and 6.60%, respectively, in December 2022 mainly due to higher prices of certain food items.
- The RBI in its monthly bulletin said that 2023 would witness a milder global slowdown than anticipated earlier but added that the trajectory remains unpredictable.
- According to an International Monetary Fund (IMF) official, India is expected to contribute 15% to the global growth in 2023.
- Federation of Indian Exports Organisation (FIEO) said India's exports might grow by 3-5% to \$435-445 billion in the current fiscal.
- Finance Minister Nirmala Sitharaman said that the entire goods and services tax (GST) compensation cess for June totalling Rs 16982 crore will be cleared.
- The GST Council reduced the tax rate on several items including rab and pencil sharpeners and rationalized late fee for the delayed filling of annual returns.
- Finance Minister (FM) said that petrol and diesel can be brought under the GST ambit if the GST council takes a call.
- FM clarified that as per the current law funds deposited for the National Pension Scheme (NPS) cannot be given to state governments.

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- Asian Development Bank intends to provide \$20-25 billion over five years to advance India's aspirations for fast, inclusive, and green growth.
- RBI released draft norms for lending and borrowing of government securities.
- RBI published draft guidelines for minimum capital requirements for market risk - under Basel III framework.
- RBI tightened norms for asset reconstruction companies (ARCs) on income recognising fee, as a step to curb ARCs from breaching income recognition norms.
- Securities and Exchange Board of India (SEBI) floated a consultation paper to amend norms for strengthening corporate governance at listed entities by empowering shareholders.
- SEBI proposed a regulatory framework of Environmental, Social & Governance (ESG) disclosures by listed entities, ESG ratings in the securities market and ESG investing by mutual funds.
- US export prices rose 2.3% on-year in January 2023 compared to a revised 4.3% gain in December 2022, while import prices rose 0.8% in January 2023 from revised 3% gain in December 2022.
- The Fed monetary policy meet minutes revealed that almost all Fed officials agreed to slow the pace of increases in interest rates to a quarter of a percentage point. Also, all participants continued to anticipate that ongoing increases would be appropriate until data provided confidence that inflation was on a sustained downward path to 2%, which was likely to take some time.
- Eurozone consumer price inflation eased to 8.6% on-year in January 2023 from 9.2% in December 2022, while the core inflation edged higher to 5.3% in January 2023 from 5.2% in December 2022.
- Eurozone current account surplus widened to 28.9 billion euros in December 2022 from a revised 12.7 billion euro surplus in November 2022.
- Eurozone flash consumer confidence for February 2023 came in at -19 compared to -20.9 in January 2023.
- UK retail sales decreased 5.1% on-year in January 2023, from downwardly revised 6.1% fall in December 2022.
- UK flash S&P Global/ Chartered Institute of Procurement and Supply (CIPS) services PMI rose to 53.3 in February 2023 from 48.7 in January 2023 while the manufacturing PMI increased to 49.2 from 47. The composite PMI rose to 53.0 from 48.5.
- The People's Bank of China kept its key lending rates unchanged for 1 year and 5 year at 3.65% and 4.3% respectively.
- Japan's annual inflation rose to 4.3% in January 2023 from 4.0% in December 2022. The core inflation increased to 4.2% on-year in January 2023 from 4.0% in the prior month.



### GLOBAL NEWS

- US gross domestic product (GDP) grew at a 2.7% annualized rate in the fourth quarter, compared to 3.2% growth in the third quarter.
- US flash Standard & Poor's (S&P) Global manufacturing Purchasing Manager's Index (PMI) rose to 47.8 in February 2023 from 46.9 in January 2023, while services PMI rose to 50.5 from 46.8. The composite PMI increased to 50.2 from 46.8.
- US Kansas Fed manufacturing index fell to -9 in February 2023 from -4 in January 2023 and the manufacturing index increased to 0 points in February 2023 from -1 points in the previous month.
- US existing home sales fell 0.7% on-month in January 2023 compared to revised 2.2% decline in December 2022.

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DAY	
Monday, Feb 27, 2023	<ul style="list-style-type: none"> <li>• US Dallas Fed Manufacturing Index, February 2023</li> <li>• US Pending Home Sales, January 2023</li> <li>• US Durable Goods Orders, January 2023</li> <li>• Eurozone Consumer &amp; Economic Confidence, February 2023</li> <li>• Japan Coincident &amp; Leading Index, December 2022</li> </ul>
Tuesday, Feb 28, 2023	<ul style="list-style-type: none"> <li>• US CB Consumer Confidence, February 2023</li> <li>• US Chicago PMI, February 2023</li> <li>• US Goods Trade Balance Advance, January 2023</li> <li>• US S&amp;P/Case Shiller Home Prices, December 2022</li> <li>• US Wholesale Inventories Advance, January 2023</li> <li>• Japan Retail Sales, January 2023</li> <li>• Japan Industrial Production Preliminary, January 2023</li> <li>• India GDP Growth Rate, Q4 2022</li> <li>• India Infrastructure Output, January 2023</li> </ul>
Wednesday, Mar 1, 2023	<ul style="list-style-type: none"> <li>• US S&amp;P Global Manufacturing PMI, February 2023</li> <li>• US ISM Manufacturing PMI, February 2023</li> <li>• US Construction Spending, January 2023</li> <li>• Eurozone S&amp;P Global Manufacturing PMI, February 2023</li> <li>• UK S&amp;P Global/CIPS Manufacturing PMI, February 2023</li> <li>• China NBS Manufacturing/Non-manufacturing PMI, February 2023</li> <li>• Japan Jibun bank Manufacturing PMI, February 2023</li> <li>• India S&amp;P Global Manufacturing PMI, February 2023</li> </ul>
Thursday, Mar 2, 2023	<ul style="list-style-type: none"> <li>• US Non-Farm Productivity QoQ, Q4 2022</li> <li>• Eurozone Inflation Rate YoY Flash, February 2023</li> <li>• Japan Consumer Confidence, February 2023</li> </ul>
Friday, Mar 3, 2023	<ul style="list-style-type: none"> <li>• US S&amp;P Global Services/Composite PMI, February 2023</li> <li>• US ISM Non-Manufacturing PMI, February 2023</li> <li>• Eurozone Producer Prices, January 2023</li> <li>• Eurozone S&amp;P Global Services/Composite PMI, February 2023</li> <li>• UK S&amp;P Global/CIPS Services/Composite PMI, February 2023</li> <li>• China Caixin Services/Composite PMI, February 2023</li> <li>• Japan Jibun Bank Services/Composite PMI, February 2023</li> <li>• India S&amp;P Global Services/Composite PMI, February 2023</li> </ul>

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Source: CRISIL

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