

# WEEKLY YIELD

## Update of Equity & Debt Market

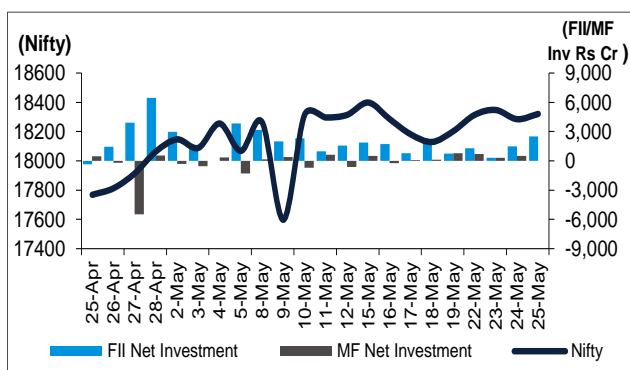
May 26, 2023

### DOMESTIC EQUITY

- Indian equity indices ended higher this week as investors waited for domestic growth data due next week.
- S&P BSE Sensex and Nifty 50 gained 1.25% and 1.63%, respectively.
- During the week, markets were jittery over the decision on the United States (US) debt ceiling stand-off. However, optimism over a likely decision next week supported the markets.
- All sectors ended positive, with information technology (IT), healthcare and fast-moving consumer goods (FMCG) gaining the most.
- S&P BSE IT, S&P BSE Healthcare and S&P BSE FMCG gained 3.7%, 3.3% and 3.1%, respectively.

Broad Indices	Week change%	3 month change%	1 year change%
S&P BSE Sensex	1.25	5.11	15.21
Nifty 50	1.63	5.92	14.40
S&P BSE Midcap	2.49	10.85	21.04
S&P BSE Smallcap	1.39	9.35	19.14
S&P BSE Bankex	0.08	10.48	22.92
S&P BSE CG	1.49	8.31	43.26
S&P BSE FMCG	3.11	11.06	30.85
S&P BSE IT	3.69	-3.21	2.90
S&P BSE Healthcare	3.28	6.98	6.12

Source: BSE, NSE



Source: SEBI, NSE

### GLOBAL EQUITY

- US stocks ended mixed this week with Dow Jones falling about 2% while Nasdaq gained 0.32%
- Markets fell, especially the Dow Jones, as talks over the US debt ceiling among leaders dragged.
- However, these losses were capped, especially on the Nasdaq, as a rally in a multinational technology company pushed tech stocks higher.
- Britain's FTSE slumped ~2.4% amid concerns over a further rate hike by the Bank of England after the country's inflation eased and US debt ceiling worries continued.
- Asian equities ended mostly lower. Japan's Nikkei index rose 0.35% on hope of better corporate actions for improved returns, gain in chipmakers and robust inflows from foreign investors
- Hong Kong's Hang Seng index declined 3.6% due to weak earnings, China's economic growth concerns, worsening dispute between the US and China over trade and technology, and US debt ceiling fears
- China's Shanghai Composite closed lower by 2.16% as investors worried over tension between the US and China after the latter banned memory chip purchases from US firm Micron Technology, concerns over the country's economic recovery, and US debt ceiling talks

### DOMESTIC DEBT

Indicators	May 26, 2023	Previous Week	Trend
Call Rate	6.20%	6.40%	↓
3 M CP	7.09%	7.15%	↓
1 Yr CP	7.65%	7.70%	↓
3 M CD	6.92%	6.94%	↓
1 Yr CD	7.35%	7.39%	↓
5 Yr AAA	7.42%	7.42%	↔
1 Yr G-Sec*	6.78%	6.81%	↓
5 Yr G-Sec*	6.93%	6.94%	↓
10 Yr G-Sec*	7.00%	7.00%	↔
USD/INR*	82.57	82.66	↓

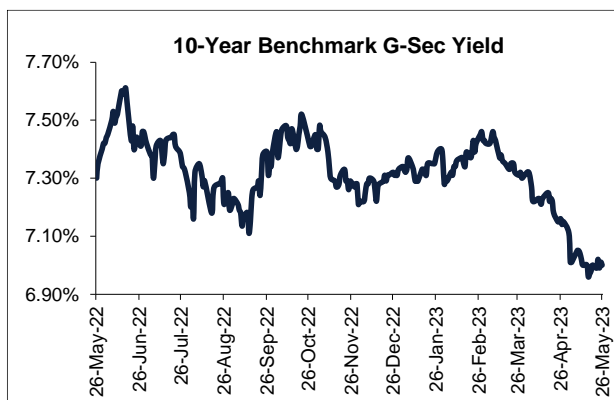
Source: CRISIL Fixed Income Database, RBI \*Weighted Average Yield

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- Government bond prices were little changed in the week ended May 26. The yield of the 10-year new benchmark 7.26% 2033 paper closed at 7.00% compared with 7.01% on May 19
- Yield began the week on a positive note on the back of hopes that the RBI's move to withdraw the highest value currency notes would buoy liquidity and boosted investor sentiment for fixed-income assets
- Sporadic spike in the US treasury yield also kept gilt under pressure
- However, a further fall in bond prices was prevented after the RBI Governor said countries with excess money in their vostro accounts in India can invest the surplus in government securities and Treasury bills
- The central bank's debt sale on May 26 saw rising demand for bonds and elevated the bond prices.
- In the debt sale held on May 26, the RBI auctioned 7.17% GS (Government Security) 2023, 7.41% GS 2036 and 7.40% GS 2062 papers for a total notified amount of Rs 31,000 crore.



Source: CRISIL Fixed Income Database

### GLOBAL DEBT

- US Treasury prices declined during the week on the back of modestly hawkish comments from the US Federal Reserve (Fed) officials and upbeat domestic economic data
- Yields rose after the Minneapolis Fed President Neel Kashkari and St. Louis Fed President James Bullard

maintained a hawkish stance and indicated the central bank needs to hike the rate in future

- Bond prices declined following downwardly revised US jobless claims data in the week ended May 13. This comes after recent data on retail sales, factory production and business activity suggested the economy regained speed at the start of the second quarter of 2023
- However, gains in the yield were halted after minutes of the Fed's May 2-3 policy meeting showed the officials "generally agreed" that the need for further interest rate increases "had become less certain", with several saying the quarter-percentage-point hike they approved may be the last
- Yield on the 10-year benchmark Treasury bond ended at 3.81% on May 26 compared with 3.69% on May 19.



### DOMESTIC NEWS

- Retail inflation for farm workers and rural laborers eased marginally to 6.5% and 6.52% in April 2023 compared to 7.01% and 6.94%, respectively, in March 2023.
- The finance ministry in its Monthly Economic Review said April marks a 'good beginning' to Fiscal Year 2023-24, pointing to strong goods and services tax (GST) collection and other high-frequency data.
- The finance ministry in its Monthly Economic Review said India's economy is likely to see downside risks to growth and upside risks to inflation, partly due to challenges in the country's external sector as well as weather-related uncertainties.
- The Reserve Bank of India's (RBI's) Governor Shaktikanta Das said, India's Gross Domestic Product (GDP) is likely to grow above 7% for 2023-24 and added that there is a possibility of growth for the last financial year could be higher.
- Finance ministry said debit and credit card payments by individuals upto Rs 700000 will be excluded from the liberalised remittance scheme (LRS) and will not

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attract tax collected at source (TCS) from July 1, 2023.

- The Finance Ministry exempted investors from 21 countries including the US, UK and France from the levy of angel tax for non-resident investment in unlisted Indian startups.
- The finance ministry notified the increased ceiling for encashment of earned leave that is exempt from income tax effective from April 1, 2023.
- Government proposed changes to the tax imposed on angel investors in unlisted entities.
- Government reduced the subsidy provided under FAME-II (Faster Adoption of Manufacturing of Electric Vehicles in India) scheme applicable on electric two-wheelers registered on or after June 1, 2023.
- Reserve Bank of India (RBI) said currency notes of Rs 2000 denomination will be withdrawn from circulation and has asked banks to provide deposit and/or exchange facility for Rs 2,000 notes until September 30, 2023.
- RBI governor Das urged banks to further strengthen governance and assurance functions and acknowledged the role played by the banks in supporting the economy and maintaining resilience.
- The Securities and Exchange Board of India (SEBI) decided to introduce risk disclosure framework for individual traders with respect to trading in the equity Futures & Options (F&O) segment, to facilitate informed decision making by investors.
- SEBI proposed to reduce the time taken for the listing of shares on stock exchanges after the closure of initial public offerings (IPOs) to three days from six days at present.
- SEBI proposed in a consultation paper that if a share in the futures and options segment falls or rises by 10% a day, trading would be suspended for an hour, up from the current 15 minutes, and then allowed to move only a further 2%, down from the current 5%.



## GLOBAL NEWS

- US economy grew by an annualized 1.3% on quarter in first quarter (Q1) of 2023 compared to 2.6% in the fourth quarter (Q4) 2022.
- US Personal consumption expenditure grew by an annualized 3.8% in the first quarter of 2023, above the preliminary estimates of a 3.7% rise and accelerating from a 1% increase in the previous period.
- US personal consumption expenditure (PCE) price index rose 4.4% on year in April 2023, accelerating from 4.2% advance in March 2023, while core PCE price index rose by 4.7% from 4.6%.
- US Richmond Manufacturing Activity Index fell -15 in May 2023 from -10 in April 2023 while services index came in at -10 compared to -23.
- Federal Reserve Chair Jerome Powell gave a clear signal he is inclined to pausing interest-rate increases next month and said that tighter credit conditions could mean the policy peak will be lower.
- The European Central Bank (ECB) president Christine Lagarde said ECB needs to keep interest rates high to curb inflation in the medium term.
- Eurozone Consumer Confidence edged up to -17.4 in May 2023 compared to -17.5 in April 2023.
- UK's annual inflation rate eased to 8.7% in April 2023 compared to 10.1% in March 2023, while core inflation rose to 6.8% compared to 6.2%.
- The People's Bank of China (PBoC) kept one-year loan prime rate (LPR) and the five-year rate unchanged at 3.65% and 4.3%, respectively.

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DAY	
Tuesday, May 30, 2023	<ul style="list-style-type: none"> <li>• US CB Consumer Index, May 2023</li> <li>• US Dallas Fed Manufacturing Index, May 2023</li> <li>• Eurozone Consumer Confidence Final, May 2023</li> </ul>
Wednesday, May 31, 2023	<ul style="list-style-type: none"> <li>• US Chicago PMI, May 2023</li> <li>• China NBS Manufacturing / Non-Manufacturing PMI, May 2023</li> <li>• Japan Consumer Confidence, May 2023</li> <li>• India GDP Growth Rate YoY, Q1 2023</li> <li>• India Infrastructure Output YoY, April 2023</li> </ul>
Thursday, Jun 1, 2023	<ul style="list-style-type: none"> <li>• US ADP Employment Change, May 2023</li> <li>• Eurozone Inflation Rate YoY Flash, May 2023</li> <li>• Eurozone CPI Flash, May 2023</li> <li>• UK S&amp;P Global/CIPS Manufacturing PMI Final, May 2023</li> <li>• China Caixin Manufacturing PMI, May 2023</li> <li>• Japan Jibun Bank Manufacturing PMI Final, May 2023</li> <li>• India S&amp;P Global Manufacturing PMI, May 2023</li> </ul>
Friday, Jun 2, 2023	<ul style="list-style-type: none"> <li>• US Nonfarm Payrolls, May 2023</li> <li>• US Unemployment Rate, May 2023</li> <li>• India Foreign Exchange Reserves, May 2023</li> </ul>



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Source: CRISIL

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