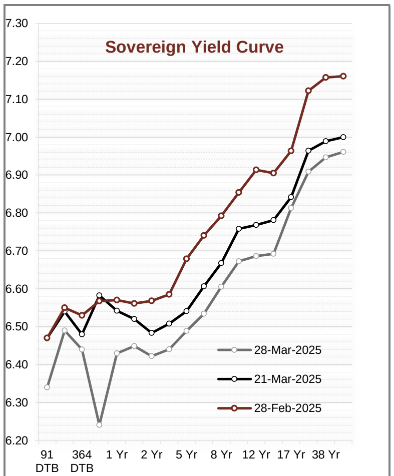
Debt Markets – The 10-year benchmark fell by 4 bps



The 10-year benchmark recorded a close at 6.46%, falling by 4 bps from the close of the previous trading session.

Yields opened lower from the close of the previous session at 6.49% which coincided with day's high. Thereafter, the yields traded downwards to make a low of 6.46% before closing the session at the same level.

The yields opened lower from the close of the previous trading session and traded downwards tracking losses from U.S. Treasury yields as China announced a 34% tariff on all U.S. imports and export controls on rare earths starting April 10, in retaliation to recent U.S. tariffs. The escalating trade tensions have heightened market uncertainty, with concerns over inflation and slower growth. Fed Chair Jerome Powell cautioned that tariffs may have a greater-than-expected economic impact and emphasized the importance of curbing inflation. Thereafter, the downward momentum in the yields was limited after India's services PMI fell to 58.5 in Mar'25 as compared to 59.0 in Feb'25, weighed down by a slight slowdown in business activity and sales, while international orders saw their weakest expansion in 15 months. During the fag end of the session, the downward movement in yields continued, as UBS predicts that Trump's tariffs could reduce India's economic growth by 30–50 bps and projects India's growth at 6.3% YoY in FY26. However, bilateral trade agreement negotiations between the U.S. and India are still ongoing.

FIIs were net sellers in the debt segment with outflows amounting to INR 1,115.16 Cr as of April 04rd, 2025.

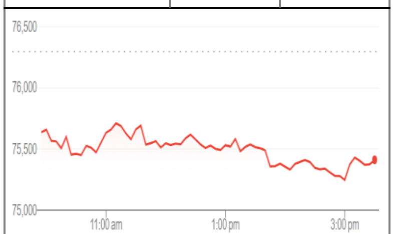
The 1-year and 5-year OIS stood at 6.04% and 5.9% respectively, as of March 28th, 2025.

G-Sec / Bond Yields

Security	Tenure	Yield (SA)
91 DTB	91 Days	6.30%
364 DTB	364 Days	6.30%
GOI 2034	10 Yr	6.46%
GOI 2039	15 Yr	6.58%
SDL	10 Yr	6.89% - 6.97% (Annualized)
AAA PSU	10 Yr	7.21% - 7.25% (Annualized)
AAA Pvt.	10 Yr	7.45% - 7.50% (Annualized)

Equity Markets – Indices ended the session lower amid negative domestic and global cues

Index	Sensex	Nifty
Close	75,364.69	22,904.45
1 day change	-1.22%	-1.49%
	-930.67	-345.65
1 month change	3.25%	3.72%
	2374.76	821.80



BSE Sensex - 04 April, 2025

Domestic benchmark indices ended the session lower amid negative domestic and global cues.

Indices opened lower and traded downward, tracking losses from US and Asian counterparts amid escalating concerns over global trade and economic growth as sentiment was weighed down by the US imposition of aggressive tariffs, with the prospect of retaliatory measures from China, the EU, and other major trading partners adding to investor caution. Thereafter, indices continued to trade downward as India Services' PMI fell to 58.5 in Mar'25 from 59.0 in Feb'25, amid weaker foreign sales and a softer pace of job creation. However, output continued to expand due to strong demand and rising new business. Toward the end of the session, the indices sustained downward momentum as investors are now focused on the upcoming U.S. payrolls report and a speech from Federal Reserve Chair Jerome Powell for further insight into the labor market and potential implications for monetary policy. Eventually, the indices ended the session in the red amid selling witnessed in Focused IT, Information Technology, and Teck.

Among individual stocks, shares of HDFC Bank rose 1.22% as the bank's average deposits registered a growth of around 15.8% to INR 25.28 Lakh Cr as of Mar'25, compared to INR 21.84 Lakh Cr a year ago. Shares of L&T fell 4.71% as its subsidiary L&T Finance slipped 0.18% after the firm reported retail disbursements of INR 14,870 Cr in Q4 FY25, down 1.16% YoY from INR 14,531 Cr in Q4 FY24.

All twenty-one sectoral indices compiled by the BSE ended the day in the red, led by Metal, which fell by 6.34%, and Oil & Gas, which fell by 3.89%.

Global Markets

Markets	Price	Change
Dow Jones	38,314.86	-5.50%
S&P 500	5,074.08	-5.97%
FTSE 100	8,054.98	-4.95%
Shanghai	3,342.01	-0.24%
USD / INR	85.18	-0.47%
Brent Oil	65.58	-6.50%
Gold	88,130	-2.21%
Silver	87,431	-7.44%

Spread Analysis

The spread of AAA PSU bonds over the 10-year benchmark security was around 60 bps - 70 bps and the spread of AAA Private bonds over the 10-year benchmark security was around 90 bps. The spreads between benchmark security and AAA PSU and AAA Private Bonds largely remained unchanged. Special SDLs are trading at a spread of 1-3 bps above the regular SDLs.

Auction / System Liquidity

The RBI will conduct an auction of SDL for a notified amount of INR 3,500 Cr tomorrow.

The RBI will conduct an auction of T-Bills for a notified amount of INR 19,000 Cr on Wednesday.

The RBI conducted an auction of G-sec for a notified amount of INR 36,000 Cr and accepted an amount of INR 36,000 Cr on Friday.

The Net Liquidity including today's operations was at INR -2.45 Lakh Cr and were parked under SDF at 6.00%. The Wt. Avg.Call Money rate was 5.87%.

Previous Auctions

Security	Amount (In Crs)	Yield Range
T-Bill (02 April)	19,000.00	6.29% - 6.30%
SDL (03 April)	11,800.00	6.76% - 6.88%
G-Sec (04 April)	36,000.00	6.25% - 6.49%

News Update

According to media report, the Indian economy faced downside risks following the US announcement of reciprocal tariffs on around 60 countries, including a 26% levy on Indian exports, although analysts noted that supply chain realignments might favour India. Moreover, India's moderate tariff exposure compared to China, Sri Lanka, and Vietnam, alongside strategic US ties, positioned it to benefit from evolving trade dynamics. Additionally, ongoing India-US trade talks could ease up to 20% of effective tariffs, mitigating some pressure.

According to economists, India's GDP growth in FY26 was expected to face a 30-60 basis points downside as reciprocal US tariffs on 60 countries triggered concerns of a global economic slowdown. Moreover, while exports were likely to be the most affected, India's lower tariff rate of 27% compared to peers like Vietnam and China, along with its limited export dependence, was projected to offer partial insulation. Additionally, shifting supply chains could benefit Indian sectors such as textiles and electronics. Furthermore, anticipated income tax relief and lower inflation were expected to support domestic demand and offset external pressures.

Euro Area's services PMI rose to 51.0 in Mar'25, slightly improving from February's 50.6, indicating a modest acceleration in output growth. Moreover, despite a slight decline in new business volumes, employment levels continued to rise with the pace of job creation hitting its highest since Jun'24. Additionally, both input costs and output charges increased at their slowest rates in four months. However, business optimism weakened to its lowest point since Nov'24.

Economic Indicators

Indicator	Feb'25	Jan'25
WPI	2.38%	2.31%
CPI	3.61%	4.26%
Food Inflation	3.75%	5.97%
IIP	5.0% (Jan'25)	3.2% (Dec'24)