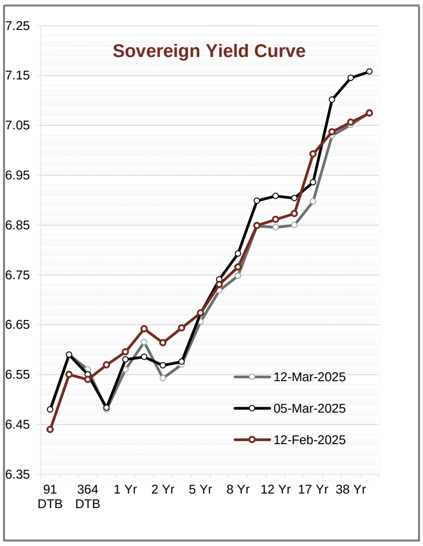
Debt Markets – The 10-year benchmark fell by 2 bps.



The 10-year benchmark recorded a close at 6.64%, falling by 2 bps from the close of the previous trading session.

Yields opened lower from the close of the previous session at 6.65% which coincided with the day's high. Thereafter, the yields traded downwards to make a low of 6.63% before closing the session at 6.64%.

The yields opened lower from the close of the previous trading session and traded downward after the RBI's State of Economy report highlighted a sharp moderation in inflation from over 6% in Oct'24 to 3.6% in Feb'25, driven by strong agricultural performance and seasonal price corrections, supporting India amid global trade tensions and economic uncertainties. The report also underscored India's structural strengths, including sound fiscal policies, a well-calibrated monetary framework, and digital transformation initiatives. During midday, yields sustained their downward momentum, as the rupee appreciated ~26 paise to close at 86.19 against the greenback, following the Federal Reserve's decision to hold rates but reaffirm its outlook for two rate cuts in CY25, signaling looser monetary policy amid slowing U.S. growth, rising inflation, and policy uncertainties under the new administration. Toward the session's end, yields reversed their trajectory and traded upwards, tracking an intraday rise of ~1.37% in crude oil prices, as Middle East tensions escalated following Israel's new ground operation in Gaza, breaking a two-month ceasefire.

G-Sec / Bond Yields

Security	Tenure	Yield (SA)
91 DTB	91 Days	6.49%
364 DTB	364 Days	6.56%
GOI 2034	10 Yr	6.64%
GOI 2039	15 Yr	6.82%
SDL	10 Yr	7.12% - 7.23% (Annualized)
AAA PSU	10 Yr	7.18% - 7.21% (Annualized)
AAA Pvt.	10 Yr	7.66% - 7.70% (Annualized)

Equity Markets – Indices ended the session higher amid positive domestic and global cues

Index	Sensex	Nifty
Close	76,348.06	23,190.65
1 day change	▲ 1.19%	▲ 1.24%
	▲ 899.01	▲ 283.05
1 month change	▲ 0.81%	▲ 1.21%
	▲ 612.10	▲ 277.50

BSE Sensex - 20 March, 2025

Domestic benchmark indices ended the session higher amid positive domestic and global cues.

Indices opened the session higher and initially traded marginally downwards, tracking losses from US counterparts as the Fed signals fewer rate cuts in 2025, raising concerns over inflation and potential tariff impacts. During the midsession, the indices reversed its trajectory and traded upwards, after RBI in its monthly bulletin highlighted that easing inflation may help India counter the headwinds from trade tensions and uncertainty about the global economy. Further, the report also stated that India's external sector continues to find support from resilient services exports, which remain less affected by global disruptions. During the fag end of the session the up move was limited as investors grew cautious about potential U.S. tariff actions, with officials reaffirming plans for reciprocal tariffs in Apr'25, while also monitoring U.S.-led Russia-Ukraine peace negotiations. Eventually, the indices ended the session in green amid buying in Telecommunication and TECK.Among individual stocks, shares of Bharti Airtel, rose by 4.08%, after the company announced that it has become the leading telecom operator in Kerala. Shares of Titan rose by 3.47%, following a surge in gold price, the 24K gold rose by ₹10 to hit an all-time high of ₹90,450 per 10 grams.

Out of the twenty-one sectoral indices compiled by the BSE, all the sectors ended the day in green led by Telecommunication which rose by 1.94%.

Global Markets

Markets	Price	Change
Dow Jones	41,953.32	▼ -0.03%
S&P 500	5,662.89	▼ -0.22%
FTSE 100	8,701.99	▼ -0.06%
Shanghai	3,378.44	▼ -0.89%
USD / INR	86.32	▼ -0.24%
Brent Oil	72.00	▲ 1.72%
Gold	88,730	▲ 0.17%
Silver	99,420	▼ -0.53%

Spread Analysis

The spread of AAA PSU bonds over the 10-year benchmark security was around 50 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 conducted an auction of SDL for a notified amount of INR 52,120 Cr and accepted an amount of INR 52,620 Cr on Tuesday.

The RBI conducted an auction of T-Bills for a notified amount of INR 33,000 Cr and accepted an amount of INR 33,000 Cr on Wednesday.

The RBI conducted an auction of G-sec for a notified amount of INR 32,000 Cr and accepted an amount of INR 32,000 Cr on February 28.

The Net Liquidity including today's operations was at INR -0.01 Lakh Cr and were parked under SDF at 6.00%. The Wt. Avg.Call Money rate was 6.36%.

Previous Auctions

Security	Amount (In Crs)	Yield Range
T-Bill (19 March)	33,000.00	6.50% - 6.54%
SDL (18 March)	52,620.00	6.92% - 7.18%
G-Sec (28 February)	32,000.00	6.74% - 7.14%

News Update

According to the RBI Bulletin, easing inflation, which declined from over 6% in Oct'24 to 3.6% in Feb'25, was expected to help India navigate global trade tensions and economic uncertainty. Moreover, the report highlighted that India's external sector remained resilient, supported by strong services exports, while structural strengths such as sound fiscal policies, a well-calibrated monetary framework, and digital transformation initiatives would sustain long-term growth. Additionally, despite capital outflows of nearly USD 29 Bn since Oct'24 and risks of currency depreciation, India was projected to record higher growth than advanced economies, with real GDP growth forecasted at 6.7% for FY26.

According to Fitch Ratings, India's low dependence on external demand was expected to shield the country from US trade policies, while its economic growth forecast for FY26 remained unchanged at 6.5%, and the FY27 estimate was revised up by 10 bps to 6.3%. Moreover, India's GDP was projected to grow by 6.3% in the current fiscal year, supported by rising consumer spending and higher government expenditure, which helped the economy expand by 6.2% in the December quarter. Furthermore, Fitch projected a pickup in capital spending in FY26 and FY27, while inflation in India was expected to ease to 4% by December due to falling food prices.

The Bank of England kept the Bank Rate at 4.5% during its Mar'25 meeting, maintaining a cautious stance amid persistent inflation and global economic uncertainties. Moreover, policymakers emphasized that a gradual and measured approach to easing monetary policy was appropriate given the medium-term inflation outlook, as CPI inflation rose to 3% in Jan'25. Additionally, despite falling global energy prices, inflation was projected to increase to 3.75% by Q3 2025, adding to concerns about price pressures.

Economic Indicators

Indicator	Feb'25	Jan'24
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)