

## Debt Market Review



**Mr. Marzban Irani, CIO - Fixed Income**

### Market Review

- In the month of April RBI in its bi-monthly monetary policy committee meeting kept repo rate unchanged at 4% and decided to continue with accommodative stance. RBI Governor in his statement emphasized on continuing with accommodative stance as long as it is necessary to revive and sustain economic growth on a durable basis. Policy did come up with a surprise in the form of G-SAP (Government Securities Acquisition Plan) where in the RBI has decided to buy 1 Lakh Cr of long-term government bonds in the April-June 2021 quarter.
- We feel this move is in line with RBI Governor's public statement where he is suggesting "Orderly evolution of the yield curve" is the primary focus. Policy statement also hinted on VRR (Variable reverse repo) a tool to normalize liquidity will be done for longer tenure compared to 14 days which is existing practice.
- Global data has been positive in US, the monthly employment numbers have come out strong. High frequency data which measures people's visit to workplace, retail outlets, recreational sites etc. has shown mobility improvement. The number of passengers travelling through US airport has also seen an uptick. Manufacturing and service activities are also surging with vaccination drive successfully going on around the world.
- According to ourworldindata.org, as on April 30th, 2021, the share of population received at least one dose of vaccine remained high in UK with 50%, US with 43%, Israel with 62% as against India with 9%. Similarly share of population fully vaccinated as on 30th April 2021, stood at 21% for UK, 30% for US and 59% for Israel, as against 2% for India. With a significant population getting vaccinated in the major economies worldwide, the likelihood of potential lockdown remains limited. The major difference that can be seen between the first wave and second wave of Covid is, during the first wave world had no answer to the calamity, but with invention of vaccines and pace of vaccination drive picking up across the globe the impact of the second wave will be contained.

### Outlook

- The outlook for debt market is cautiously optimistic. Yields are expected to remain lower as RBI will keep rates on hold to support economic activity and gradually suck out the liquidity via VRR in a non-disruptive way. The 10-year yield is expected to be in the range of 6 – 6.50. Due to inflation pressure, huge borrowing and global yields rising upwards it might impact our 10-year yield also to rise to 6.50 levels gradually.

Statutory Details Sponsor: Life Insurance Corporation of India.

Investment manager: LIC Mutual Fund Asset Management Ltd. CIN: U67190MH1994PLC077858

For further details, please refer to the Scheme Information Document, Statement of Additional Information & Key Information Memorandum cum Application forms, available on our website [www.licmf.com](http://www.licmf.com) and at the official points of acceptance of LIC Mutual Fund Asset Management Ltd.

**Disclaimer:** The views expressed herein are based on internal data, publicly available information and other sources believed to be reliable. Any calculations made are approximations, meant as guidelines only, which you must confirm before relying on them. The information contained in this document is for general purposes only. The document is given in summary form and does not purport to be complete. The document does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. The information / data herein alone are not sufficient and should not be used for the development or implementation of an investment strategy. The statements contained herein are based on our current views and involve known and unknown risk and uncertainties that could cause actual results, performance or event to differ materially from those expressed or implied in such statements. Past performance may or may not be sustained in the future. LIC Mutual Fund Asset Management Ltd. / LIC Mutual Fund is not guaranteeing / offering / communicating any indicative yield on investment made in the scheme(s). Neither LIC Mutual Fund Asset Management Ltd. and LIC Mutual Fund (the Fund) nor any person connected with them, accepts any liability arising from the use of this document. The recipients(s) before acting on any information herein should make his/her/their own investigation and seek appropriate professional advice and shall alone be fully responsible / liable for any decision taken on the basis of information contained herein.