

Debt Market Review



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Market Review

- Sentiment remained week during the month which reflected in upward yield movement across the curve largely on account of higher Q4 SDL borrowing calendar, global bond rout and surge in crude prices. Further RBI's OMO sales in secondary market dampened the sentiments. NSO has pegged FY2022 GDP growth forecast at 9.20% and GVA growth at 8.6%, also the economic survey expects GDP growth for FY2023 to be around 8%-8.50%. RBI has announced new 10 year benchmark as the outstanding of existing benchmark reached closer to Rs. 1.50 lakh crores, coupon for which is set at 6.54%. 10-year Gsec benchmark traded in a wide range of 6.45%-6.75% with upward bias throughout the month. 5-year OIS has also hardened by 42 bps during the month from 5.42% to 5.84% at the end of month, however 1 year OIS hardened 19 bps to 4.54%.
- System liquidity remained in surplus range with average surplus liquidity in January reduced to Rs. 6.29 lakh crores vs Rs. 7.39 lakh crores in the month of December, during the month TREPS rate also short above 4% due to temporary mismatch in overnight liquidity for which RBI induced temporary liquidity via variable REPO auctions. Currency in Circulation (CIC) marginally rose to Rs. 30.32 lakh crore (end January) vs Rs. 29.87 lakh crore (end December).
- CPI inflation marked 5 months high at 5.59% in December (better than expectation 5.80%) as against 4.91% in November. Core inflation moderated by 10 bps to 6.20%. as against 6.30% in previous month.
- Substantial increase in gross GST collected seen in January at Rs. 1.38 lakh crore vs Rs. 1.30 lakh crore collected in December. Gross average monthly GST collection till date for current FY2022 stands at 1.21 lakh crore.

Market Indicators

	31-Jan-22	03-Jan-22	Change
USD/INR	74.62	74.26	0.48%
Brent Crude Oil (\$/bbl)	91.21	79.98	14.04%
Gold (\$/oz)	1,797.17	1,801.45	-0.24%
T-Repo	3.17%	3.25%	-0.08%
10-year G-Sec	6.68%	6.46%	0.22%
10-year AAA PSU	7.12%	6.93%	0.19%
US 10-year Gilt	1.78%	1.63%	0.15%

Source: Bloomberg

- Foreign portfolio investors bought Rs. 3,080 crores (Net) in debt market in January 2022 as against an outflow of Rs. 10,408 crores (Net) in December 2021.
- FED in its January policy said it continue to reduce monthly pace of its net asset purchases, bringing them to end by early march. Also hinted it will soon be appropriate to raise rates. Market is expecting first-rate hike from FED in its March policy.

Outlook

- In a scenario where globally central banks are sounding aggressive and with rising commodity prices, market participants will be watchful for upcoming data's. Government will be presenting Union Budget which will give clarity on current and next year's fiscal numbers and net supply for the market. Also, RBI's policy whether they reduce gap between Repo and Reverse repo in continuation with its liquidity normalization process.

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 and at the official points of acceptance of LIC Mutual Fund Asset Management Ltd.

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