

## Debt Market Review



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### Market Review

- Market started on a jittery note with yields hardening across the curve, 10 year benchmark rose almost 10 bps to 6.90% level on the back of ongoing war between Russia and Ukraine causing upward spike in commodity prices especially crude because of severe supply disruptions across commodities. Also yields across the globe started taking a ladder on the upside accompanied with FED hiking policy rates. However the up move was capped and yields softened due to strong investor demand in secondary market because of absence of weekly G- Sec supply. During end of month RBI announced Gsec borrowing calendar for first half of FY2023 pegging it to 59% of overall borrowing of Rs. 14.31 lakh crores. Treasury bill calendar for first quarter was also announced which is slightly lowered to Rs. 4.32 lakh crores vs Rs. 4.68 lakh crores during same period last year. 10-year Gsec benchmark traded in a range of 6.78%-6.90%. 5-year OIS has also hardened by 29 bps during the month from 5.79% and then softened to settle at 5.99% at the end of month, 1-year OIS has hardened by 13 bps to 4.49%
- System liquidity remained in surplus range with average surplus liquidity in March slightly reduced to Rs. 6.42 lakh crores vs Rs. 6.88 lakh crores in the month of February. Currency in Circulation (CIC) marginally rose to Rs. 31.35 lakh crore (end March) vs Rs. 30.80 lakh crore (end February).
- Consecutively CPI inflation accelerated above RBI threshold band of 2%-6% to 6.07% in February as against 6.01% in January mainly because of sequential increase in food and other broad-based prices in spite of no pass-through of international crude prices into domestic prices since November.
- Gross GST collection for March seen at Rs. 1.42 lakh crore vs Rs. 1.33 lakh crore collected in February, it is at all time high beating the earlier high of Rs. 1.41 lakh crore collected in April 2021. Gross average monthly GST collection for FY2022 stands at Rs. 1.24 lakh crore.

Market Indicators			
	31-Mar-22	02-Mar-22	Change
USD/INR	75.79	75.31	0.10%
Brent Crude Oil (\$/bbl)	107.91	112.93	-4.45%
Gold (\$/oz)	1,937.44	1,928.72	0.45%
T-Repo	3.64%	3.25%	0.39%
10-year G-Sec	6.84%	6.82%	0.02%
10-year AAA PSU	7.10%	7.08%	0.02%
US 10-year Gilt	2.34%	1.88%	0.46%

Source: Bloomberg

- Foreign portfolio investors sold Rs. 8,876 crores (Net) in debt market in March 2022 as against an outflow of Rs. 2,586 crores (Net) in February 2022. For FY2022 we have registered an inflow of Rs. 14,270 crores (Net) in Debt segment.
- FOMC began its rate hike cycle by hiking its policy rate by 25 bps in its March policy taking Fed Fund rates to 0.25%-0.50% in order to tackle decadal-high inflation and a tight labor market. It's a first rate hike by FED since 2018.

### Outlook

- With CPI crossing RBI's tolerance band for second consecutive months and now government has also started hiking domestic oil prices in a gradual manner, also other commodity prices are already at elevated level. We believe upcoming CPI prints can sustain above RBI's tolerance band thereby increasing the probability of early policy reversal. FED is also sounding hawkish with possible 6 hikes in current calendar year, geopolitical tensions still persisting along with higher domestic weekly supply with almost 63% in 10 year and above segment, we believe yields may move upwards with yield curve likely to steepen.

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.

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