

Debt Market Review



Mr. Marzban Irani, CIO - Fixed Income

Market Review

- Market remained in a narrow range throughout the month, however rallied towards the end as the risk of spreading of Covid-19 new variant 'Omicron' rose which led to surge in demand of safe assets. Globally also Crude and UST eased which boosted local sentiments. Central government also reduced excise duty on petrol and diesel which is favorable for CPI however a revenue loss of around Rs. 45000 crores is estimated in current financial year. 10-year Gsec benchmark traded in a narrow range of 6.29%-6.39% throughout the month. 5 year OIS has also eased 37 bps during the month from 5.66% to 5.29% at the end of month, similarly 1 year OIS also eased 10 bps to 4.21%.
- System liquidity remained in surplus range with average surplus liquidity in November slightly increased to Rs. 7.62 lakh crores vs Rs. 7.48 lakh crores in the month of October. Currency in Circulation (CIC) marginally rose to Rs. 29.83 lakh crore (end November) vs Rs 29.44 lakh crore (end October).
- CPI inflation moderately picked up to 4.48% in October as against 4.35% in September majorly on back of higher food prices. Core inflation also picked up to 6.06%.
- India's GDP grew at 8.4% YOY during Second quarter of FY 2021-22 as compared to RBI's estimate of 7.9%. YOY GVA growth for same quarter came at 8.5%.

Market Indicators			
	30-Nov-21	01-Nov-21	change
USD/INR	75.17	74.87	0.39%
Brent Crude Oil (\$/bbl)	70.57	84.71	-16.69%
Gold (\$/oz)	1,774.52	1,793.28	-1.05%
T-Repo	3.37%	3.31%	0.06%
10-year G-Sec	6.33%	6.39%	-0.06%
10-year AAA PSU	6.86%	6.83%	0.03%
US 10-year Gilt	1.44%	1.56%	-0.11%

Source: Bloomberg

- Foreign portfolio investors Invested Rs. 3,449 crore (Net) in debt market in November viz a viz Rs. 1,272 crore (Net) inflow in October 2021.
- FOMC in its November policy kept policy rate unchanged, but it moved forward with its tapering plan of USD 15 Billion per month starting later this month only.

Outlook

- Both globally and domestically central banks are focusing on normalization of liquidity, FED has also emphasized wrapping up tapering sooner as inflation pressures are high and economy is also strengthening. RBI will also in upcoming policies reduce the corridor between REPO rate and Reverse repo rate while continuing with fine tuning of excess liquidity with increased quantum of VRR. Inflation is expected to inch upward due to rising food prices, unseasonal rains and dissipating base effect. Yields will remain under pressure, with curve expected to be more flattening and interest rate to inch up more aggressively at shorter end of curve than longer end.

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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