

WEEKLY YIELD

Update of Equity & Debt Market

December 23, 2022

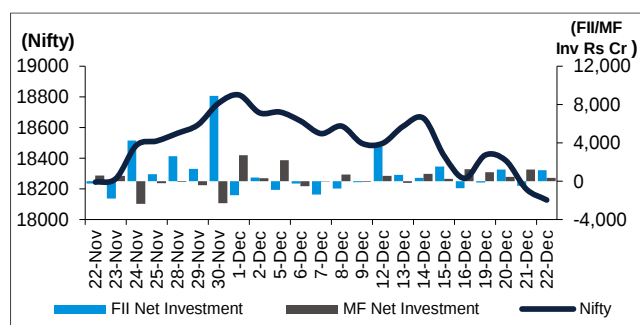


DOMESTIC EQUITY

- Indian equity indices extended losses for the third straight week after the Reserve Bank of India (RBI), in its latest Monetary Policy Committee meeting minutes, signalled concerns over inflation and continuation of rate hikes in the future. S&P BSE Sensex and Nifty 50 fell about 2.5% each.
- Global negative cues such as fears of a potential recession, rate hikes by major central banks, and resurgence of Covid-19 cases in China also dragged down the indices.
- Most of the sectors ended in the red, with power, realty and metals declining the most. S&P BSE Power, S&P BSE Realty and S&P BSE Metal fell 8.0%, 6.7% and 5.6%, respectively.
- However, buying in healthcare stocks limited some losses. S&P Healthcare rose 0.8%.

Broad Indices	Week change%	3 month change%	1 year change%
S&P BSE Sensex	-2.43	3.01	4.41
Nifty 50	-2.53	2.77	4.30
S&P BSE Midcap	-5.10	-3.34	-0.87
S&P BSE Smallcap	-7.67	-5.41	-4.51
S&P BSE Bankex	-3.20	4.98	18.86
S&P BSE CG	-5.59	2.86	15.11
S&P BSE FMCG	-2.86	-2.18	18.10
S&P BSE IT	-2.30	3.67	-23.32
S&P BSE Healthcare	0.82	1.45	-7.34

Source: BSE, NSE



Source: SEBI, NSE



GLOBAL EQUITY

- US stocks ended mixed, with Dow Jones rising 0.33% and Nasdaq dropping about 2%.
- Markets were under pressure as investors continued to raise concerns over a possible recession as the Federal Reserve (Fed) signalled continuation of its aggressive hawkish stance in the future.
- However, losses were recouped, especially in Dow Jones, as energy and financial stocks rose after Bank of Japan's (BoJ) unexpected tweak of policy.
- Britain's FTSE advanced 1.9% due to gains in consumer discretionary, mining and energy stocks.
- Asian equities mostly ended mixed. Japan's Nikkei slumped 4.7% after the BoJ unexpectedly adjusted its yield curve control tolerance, and due to a sell-off in chip-related and technology stocks.
- Hong Kong's Hang Seng rose 0.73% amid hopes of a recovery in the Chinese economy after the regulators and government vowed to support the struggling economy.
- Some losses were seen on lingering concerns over rising Covid-19 cases in China and the Fed's hawkish stance.
- China's Shanghai Composite declined 3.9% on fears that rising Covid-19 cases may hit economic activity and on fears of Fed rate hikes



DOMESTIC DEBT

Indicators	Dec 23, 2022	Previous Week	Trend
Call Rate	6.50%	6.45%	↑
3 M CP	7.08%	7.15%	↓
1 Yr CP	7.90%	7.90%	↔
3 M CD	6.80%	6.87%	↓
1 Yr CD	7.62%	7.61%	↑
5 Yr AAA	7.58%	7.56%	↑
1 Yr G-Sec*	6.75%	6.73%	↑
5 Yr G-Sec*	7.22%	7.14%	↑
10 Yr G-Sec*	7.32%	7.28%	↑
USD/INR*	82.86	82.86	↔

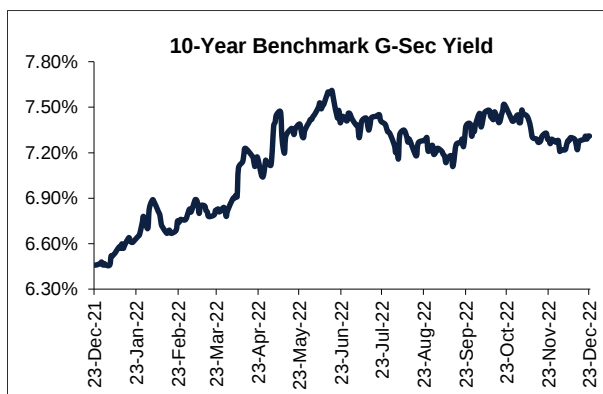
Source: CRISIL Fixed Income Database, RBI *Weighted Average Yield

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- Government bond prices ended lower in the week ended December 23, 2022. The yield on the 10-year benchmark 7.26% 2032 paper closed at 7.32% on December 23, 2022 compared with 7.28% on December 16, 2022.
- The yield started the week on a higher note, tracking a rally in the US Treasury yield.
- Prices fell further after the BoJ decided to modify its yield curve control strategy. The central bank of Japan mentioned that it will allow the 10-year bond yield to move 50 basis points (bps) on either side of its 0% target, wider than the previous 25-bps band.
- Back home, RBI meeting minutes kept the gilts under pressure. Policymakers highlighted inflation concerns and said a premature pause in monetary policy action would be a costly error at this juncture. The minutes fuelled investor expectations of rate hikes by the RBI in the future.
- Yields also rose owing to fresh supply because of the weekly debt sale. In the debt sale held on December 23, 2022, the central bank auctioned 7.38% government securities (GS) 2027, 7.26% GS 2032 and 7.36% GS 2052 for a total notified amount of Rs 28,000 crore.



Source: CRISIL Fixed Income Database



GLOBAL DEBT

- US Treasury prices fell sharply, mainly after the BoJ unexpectedly hiked its cap on 10-year Japanese government bond yields.

- The BoJ twisted its yield controls to allow the yield on its 10-year Japanese government bond to move 0.5% either side of its 0% target, up from 0.25% previously, in a move aimed at cushioning the effects of protracted monetary stimulus measures.
- Yields rose further as upbeat domestic growth data boosted investor expectations of future rate hikes by the Fed.
- US gross domestic product (GDP) grew at a 3.2% annualised rate in the third quarter, compared with a 0.6% contraction in the second quarter.
- However, sporadic short covering prevented further fall in prices.
- The yield of the 10-year benchmark Treasury bond ended at 3.67% on December 22, 2022 compared with 3.48% on December 16, 2022.



DOMESTIC NEWS

- As per the minutes of RBI's rate setting panel, the Governor Shaktikanta Das said that the central bank will continue to hike repo rates in view of accentuated inflationary pressures.
- According to RBI's bulletin, the global growth is set to lose momentum due to tightening of financial conditions caused by monetary policy actions.
- As per an RBI article, waning input cost pressures, buoyant corporate sales and rising investments in fixed assets are heralding the beginning of an upturn in the capex cycle in India which will contribute to speed up growth momentum in the economy.
- A finance ministry report said that the government to remain committed towards strong macroeconomic fundamentals and financial stability despite global headwinds.
- Finance Minister (FM) Nirmala Sitharaman said that the government is keeping an eye on inflation because of high/volatile fuel and fertiliser prices.
- The Parliament gave approval to the Centre to spend an additional Rs 3.25 lakh crore in fiscal 2023.

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- FM said scheduled commercial banks have written off loans amounting to Rs 10.09 lakh crore in the last five financial years.
- Finance Minister Nirmala Sitharaman said that banks' gross non-performing assets (NPA) fell to a 6-year low at 5.9% in fiscal 2022.
- The defence ministry approved the procurement of military equipment and weapons worth Rs 84328 crore for the Armed Forces & Indian Coast Guard.
- RBI Deputy Governor T Rabi Sankar called for similar regulation for both banks and non-bank entities like fintechs if they are undertaking the same activity.
- RBI deputy governor M Rajeshwar Rao said the pricing of the Centre's sovereign green bond can act as a benchmark for private sector players' fund raising through rupee bonds for environmental, social and governance (ESG) linkages.
- The Securities and Exchange Board of India (Sebi) unveiled guidelines for portfolio managers relating to performance benchmarking, asking them to adopt an additional layer of broadly defined investment "strategies" while managing the clients' funds.
- SEBI gave nod to the amendments to regulations of share buyback, deciding to gradually phase out share buyback through stock exchange route.
- SEBI to reduce the time taken for granting registration to FPIs (Foreign Portfolio Investors), a move that will facilitate ease of doing business.
- SEBI rolled out regulatory framework for execution only platforms for direct plans of mutual fund schemes.
- US personal consumption expenditure (PCE) prices increased to 4.3% in third quarter of 2022 compared to 7.3% in second quarter.
- US consumer confidence index rose to 108.3 in December 2022 from revised 101.4 in November 2022.
- Eurozone flash consumer confidence for December 2022 came in at -22.2 compared to -23.9 in November 2022.
- Eurozone consumer price inflation eased to 10.1% on-year in November 2022, from 10.6% in October 2022. The core inflation rate remained unchanged from the previous month at 5% in November 2022.
- Eurozone flash manufacturing Purchasing Manager's Index (PMI) increased to 47.8 in December 2022, from 47.1 in November 2022, while services PMI increased to 49.1 from 48.5. The composite PMI increased to 48.8 from 47.8.
- Eurozone recorded a trade deficit of 26.5 billion euros in October 2022, compared to 34.4 billion euros in September 2022.
- UK economy expanded 1.9% on-year in the third quarter of 2022, lower than revised 4% growth in the previous quarter.
- UK current account deficit shrank to 19.4 billion pounds in the third quarter of 2022, from a revised 33.8 billion pound deficit in the second quarter.
- The People's Bank of China kept its 1- and 5-year key lending rate unchanged at 3.65% and 4.30% respectively.
- Japan's annual inflation edged up to 3.8% in November 2022 from 3.7% in October 2022; the core inflation rose to 3.7% in November 2022 from 3.6% in the prior month.
- The Bank of Japan maintained its key short-term interest rate at -0.1% and that for 10-year bond yields at around 0% during its December 2022 meeting. But it decided to allow the 10-year bond yield to move up/down 50 basis points around the 0% target, wider than the previous 25-point band.



GLOBAL NEWS

- US economy grew an annualized 3.2% in the third quarter of 2022, compared to 0.6% contraction in the previous quarter.
- US consumer spending expanded an annualised 2.3% on-quarter in third quarter of 2022 from 2% in the previous quarter.

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DAY	
Tuesday, Dec 27, 2022	• US Dallas Fed Manufacturing, December 2022 • US House Price Index, October 2022 • US Goods Trade Balance Advance, November 2022 • US Wholesale Inventories Advance, November 2022 • US S&P/Case-Shiller Home Price, October 2022 • China Industrial Profits, November 2022 • Japan Housing Starts, November 2022 • Japan Retail Sales, November 2022 • Japan Construction Orders, November 2022 • Japan Unemployment Rate, November 2022
Wednesday, Dec 28, 2022	• US Pending Home Sales, November 2022 • US Dallas Fed Services Index, December 2022 • US Richmond Fed Manufacturing Index, December 2022 • Japan Industrial Production Preliminary, November 2022
Thursday, Dec 29, 2022	• US Initial Jobless Claims, December 24, 2022 • UK BoE Consumer Credit, November 2022
Friday, Dec 30, 2022	• US Chicago PMI, December 2022 • UK Nationwide Housing Prices, December 2022 • India Current Account, Q3FY23 • India Infrastructure Output, November 2022 • India Foreign Exchange Reserves, December 23, 2022

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Source: CRISIL

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