

GILTS MARKET UPDATE

April 10, 2023

The First Bi – Monthly Monetary Policy Committee – Resolution – April 6, 2023 – Simplified

Policy Rates	Latest Rate – April 6, 2023
Policy Repo Rate	6.50%
Standing Deposit Facility Rate	6.25%
Marginal Standing Facility Rate	6.75%
Bank Rate	6.75%
Fixed Reverse Repo Rate	3.35%

Policy Rates	Rate
CRR	4.50%
SLR	18.00%

- **The First MPC – A pause and not a pivot.**
- **The MPC unanimously decided to maintain status quo on policy rates. The Repo Rate unchanged at 6.50%.**
- **The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.**
- **These decisions are in consonance with the objective of achieving the medium-term target for Consumer Price Index Inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth.**
- **RBI Governor has warned that - this being a pause and not a pivot.**
- **The policy stance has been unchanged it indicates that inflation remains the top priority for the RBI.**
- **In case the growth and inflation follow the RBI's expected trajectory, then we may expect that the RBI has reached the end of this Rate hike cycle.**
- **The very important point in this decision is the forward trajectory of inflation which is estimated to be below the 6% level for the year.**
- **And also, that the global and domestic conditions do not see too much of volatilities.**
- **Our Economy is resilient - its macroeconomic fundamentals are strong with robust and stable financial system.**

- Inflation has shown signs of moderation and the worst is behind us.
- The Core Inflation is a concern – sticky and persistent.
- RBI has slightly lowered the inflation forecast for FY24 from 5.3% to 5.2%.
- RBI has revised up its FY24 growth forecast marginally from 6.4% earlier to 6.5%.
- On Liquidity the RBI will continue to adopt a nuanced and agile approach towards liquidity management.
- MPC will continue to maintain strong vigilant and be ready to deal with all future challenges with a firm commitment to price and financial stability.
- Going forward RBI action will be data dependent – monitoring the overall outlook and act proactively as necessary.
- By not changing the policy stance to neutral, the MPC has kept the options open for further rate hikes, if needed.
- The overhang of high liquidity surplus seems to be over now. The Central bank has outlined that it will remain flexible in its liquidity management operations to meet the requirements of productive sectors.
- MPC has decided to remain focused on withdrawal of accommodation.
- *Then: Expect the 10 year G Sec bond yield to trade in the range of 7.10 to 7.40% till the next MPC Meeting.*
- And expect some steepening in the yield curve beyond the 10 year.

Tracker

Trackers	March 31, 2023	April 6, 2023
Average Call Rate (%)	7.37	6.40
Net Banking System liquidity - Deficit (-) Surplus(+) (Rs Crs)	1,04,121.40	1,94,749.25
Bank Deposit Growth (%)	10.30	9.60
Bank Credit Growth (%)	15.70	15.00

CPI (%)	6.44	6.44
Core Inflation (%)	6.10	6.10
WPI Inflation (%)	3.85	3.85

Nifty	58,991.52	59,832.97
Sensex	17,359.75	17,599.15

Re/US\$	82.16	81.86
FPI Investments (US\$ Bln) (Figures cumulative for Debt & Equity – Current FY)	(-5.510)	0.0203

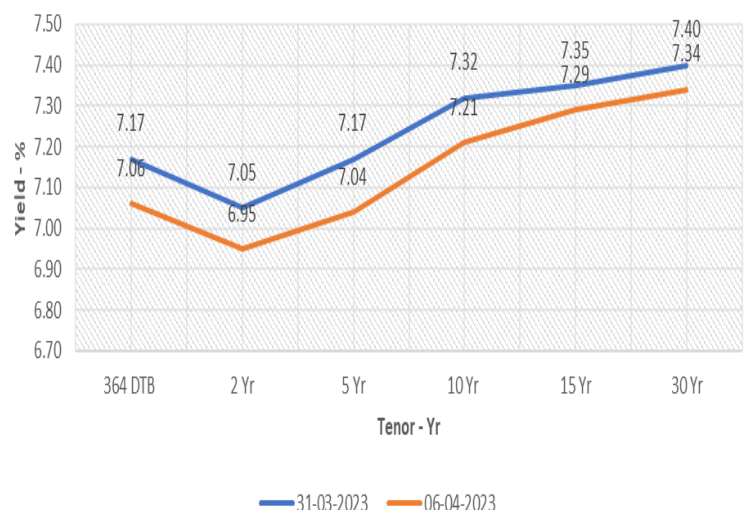
Foreign Exchange Reserves (US\$ Bln)	578.78	578.45
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Gold/10 gm (Rs)	59,371	60,507
Gold/Oz (US\$)	1967.90	2008.02
Crude Oil - Brent (US\$/bbl)	79.89	85.12
2 Yr USA - Treasuries	4.04	3.99
10 Yr USA - Treasuries	3.47	3.41

Government Securities – Secondary Market Yields

	March 31, 2023	April 6, 2023
364 DTB	7.17	7.06
2 Years	7.05	6.95
5 Years	7.17	7.04
10 Years	7.32	7.21
15 Years	7.35	7.29
30 Years	7.40	7.34

G Sec - Secondary Market Yield Curve



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