

## In Focus: Yubi Daily Wrap

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### News update

US and Asian equity markets slid (treasuries gained as safe-haven) as Silicon Valley Bank announced plan to raise \$2.25 billion worth of capital after incurring losses on its portfolio, which included holdings of US Treasuries and MBS. Aggressive rate hikes by the Fed left SVB with lower interest yielding bonds – which couldn't be sold without incurring losses. Additionally, an undiversified depositor base tapping onto their funds has pushed the bank towards a potentially weaker financial shape. Risks have risen in the short term for small and medium sized banks whose depositor base is usually less diversified.

Biden Administration announced a \$3 trillion deficit reduction plan over the next decade in his budget proposal yesterday. He proposed increased spending on military and social programs – which contrary to the long term plan will increase the deficit in FY24 to \$1.8 trillion. While budget also had slew of tax increases on the rich, it is not sufficient in the first year to cover for the rising servicing costs on the national debt that is already approaching ceiling and facing a Congressional impasse.

Continuing policy divergence from the Fed, the Bank of Japan stayed put on monetary policy easing and yield curve control, sending the bond yields lower in Governor Kuroda's last meeting. USD-JPY currency pair direction will continue to be determined by the yields on UST, as higher UST yield puts firms up the dollar, weakening the Yen.

India and USA have signed an agreement to boost coordination in the chip industry incentive plans. The memorandum focussed on information sharing and policy dialogue and is a boost to India's aim of becoming a bigger partner in the global supply chain of chips, where US is thwarting China's entry using export controls.

India's consumption of fuel, a proxy for oil demand, rose by more than 5% to 4.82 million barrels per day (18.5 million tonnes) in February 2023. The strength highlights a combination of profitable refining from record Russian crude imports in February, total utilization for primary distillation across India and still-robust domestic consumption. Industrial and commercial activity account for more than half of India's annual power use. Homes account for a fourth, while agriculture has accounted for over a sixth in the recent years.

**Major Events:** RBI to hold repo auctions and release weekly foreign exchange data; Government to release Industrial Production data.

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<b>Equity indices</b>	<b>Current level</b>	<b>Previous close</b>	<b>Change %</b>	<b>One month ago</b>
S&P500	3918.32	3992.01	-1.85	4090.46
Dow Jones	32254.86	32798.40	-1.66	33869.27
FTSE 100	7879.98	7929.92	-0.63	7882.45
Nikkei 225	28271.58	28271.58	0.00	27670.98
Hang Seng	19487.21	20051.25	-2.81	21190.42
Shanghai Composite	3238.15	3283.25	-1.37	3260.67
Kospi 50	2390.03	2431.91	-1.72	2469.73
<b>Sensex</b>	59806.28	60224.46	-0.69	324.90
<b>Nifty50</b>	17589.60	17754.40	-0.93	17893.45

<b>Govt yields</b>	<b>Current level</b>	<b>Previous close</b>	<b>Change %</b>	<b>One month ago</b>
US 10-yr	3.83	3.90	-1.79	3.73
UK 10-yr	3.79	3.79	0.00	3.39
Japan 10-yr	0.43	0.50	-13.80	0.50
Germany 10-yr	2.64	2.64	0.00	2.36
<b>India Govt 30-yr</b>	7.50	7.49	0.12	7.43
<b>India Govt 10-yr</b>	<b>7.40</b>	<b>7.43</b>	<b>-0.40</b>	<b>7.34</b>
<b>India Govt 5-yr</b>	<b>7.38</b>	<b>7.42</b>	<b>-0.51</b>	<b>7.25</b>



<b>Corp yields: India</b>	<b>Current level</b>	<b>Previous close</b>	<b>Change %</b>	<b>One month ago</b>
AAA 10-yr	7.85	7.86	-0.13	7.72
AAA 5-yr	7.85	7.88	-0.40	7.80
AAA 3-yr	7.96	7.98	-0.26	7.76
AAA 1-yr	8.08	8.10	-0.26	7.94

<b>Global FX rates</b>	<b>Current level</b>	<b>Previous close</b>	<b>Change %</b>	<b>One month ago</b>
DXY	105.23	105.31	-0.08	103.63
EUR/USD	1.06	1.06	0.13	1.07
GBP/USD	1.19	1.19	-0.03	1.21
AUD/USD	0.66	0.66	-0.23	0.69
USD/JPY	136.49	136.15	0.25	131.36
USD/CNY	6.97	6.97	0.04	6.81
<b>USD/INR</b>	82.08	81.98	0.13	82.50
Gold (USD/oz)	1829.27	1831.03	-0.10	1865.57
Brent (USD/bbl)	80.93	81.21	-0.34	85.87



<b>Money market India</b>	<b>Current level</b>	<b>Previous close</b>
Call money rate	6.35	6.32
CBLO rate	6.31	6.26
Call traded volume (INR bn)	5091.48	5190.99
Net banking system liquidity injection (+)/absorption(-) (INR bn)	-513.61	-257.43
	<b>T-bills</b>	
91-days	6.95	6.95
182-days	7.36	7.36
364-days	7.38	7.38



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