

In Focus: Yubi Daily Wrap

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News update

The New York state regulators closed Signature Bank, which was already running with risk of large crypto deposits and took over SVB. This is the third bank to collapse in the US within a week. The Fed will make available additional funding to eligible depository institutions to help assure banks meet the needs of all their depositors. Meanwhile, FDIC is aiming to resolve the SVB and Signature crises in a way to protect the depositors.

As small banks reel under pressure in US, market is expecting the Fed will opt against a bigger rate hike. 2Y US yields jumped to 5% last week when Fed's Powell commented on increasing rates to higher than anticipated levels. However, they closed the week plunging to below 4.5%, due to still unfolding banking sector risks. Yields in Asian markets also tracked US counterparts. Indian OIS rates dropped to 6.88% at start of this week, while closing at above 7% last week, hinting to market expectations of cooling off of the rate hikes.

The US non-farm payrolls increased by 311k in February (January: 504k), and above the forecasted 225k. Meanwhile, the unemployment rate grew to 3.6% and monthly wages grew at slowest pace in a year. As the top-line print exceeded expectations, case for 50 bps increased; but overall picture remains clouded due to parallel stress unfolding in the banking sector.

The People's Bank of China is expected to keep its rates unchanged at 2.75%, even as Fed will mull over a 25-50 bps hike in the next meeting. It is expected to continue with liquidity support to its financial institutions through a medium term lending facility. The widening rate differential and policy divergence risks capital outflow and depreciatory pressures for the Yuan.

India's IIP rose to 5.2% in January 2023, from 4.75 in December 2022 on the back of a lower base and growth in electricity output. Growth in electricity output increased to 12.7% while manufacturing recovered to 3.7%. Generally, growth was pushed down by textiles and electronics due to slower exports dampening manufacturing.

The 14-day VRR auction conducted by the RBI on March 10 was slightly undersubscribed at banks borrowing funds worth Rs 82,560 crore at a weighted average rate of 6.53% (liquidity infused), against the Rs 1 trillion offered by the RBI. Another VRR auction to infuse liquidity is expected as year-end tax payments come up, SDL borrowings go through, and maturing LTROs are to be repaid will tighten liquidity ahead.

Major Events: CPI data for February to be released

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Equity indices	Current level	Previous close	Change %	One month ago
S&P500	3861.59	3918.32	-1.45	4137.29
Dow Jones	31909.64	32254.86	-1.07	34245.93
FTSE 100	7748.35	7879.98	-1.67	7947.60
Nikkei 225	27742.61	28143.97	-1.43	27427.32
Hang Seng	19762.30	19319.92	2.29	21164.42
Shanghai Composite	3254.53	3230.08	0.76	3284.16
Kospi 50	2401.02	2394.59	0.27	2452.70
Sensex	59488.06	59135.13	0.60	324.90
Nifty50	17521.25	17754.40	-1.31	17770.90

Govt yields	Current level	Previous close	Change %	One month ago
US 10-yr	3.69	3.70	-0.15	3.70
UK 10-yr	3.64	3.64	0.00	3.40
Japan 10-yr	0.33	0.40	-18.05	0.50
Germany 10-yr	2.50	2.50	0.00	2.37
India Govt 30-yr	7.50	7.47	0.33	7.43
India Govt 10-yr	7.37	7.42	-0.57	7.34
India Govt 5-yr	7.31	7.40	-1.26	7.25



Corp yields: India	Current level	Previous close	Change %	One month ago
AAA 10-yr	7.83	7.85	-0.26	7.72
AAA 5-yr	7.84	7.85	-0.13	7.80
AAA 3-yr	7.90	7.96	-0.78	7.80
AAA 1-yr	7.83	7.85	-0.26	7.72

Global FX rates	Current level	Previous close	Change %	One month ago
DXY	103.83	104.58	-0.71	103.35
EUR/USD	1.07	1.06	0.73	1.07
GBP/USD	1.21	1.20	0.78	1.21
AUD/USD	0.66	0.66	-0.23	0.69
USD/JPY	1.21	1.21	1.21	1.21
USD/CNY	6.88	6.92	-0.56	6.83
USD/INR	81.86	82.05	-0.24	82.73
Gold (USD/oz)	1882.78	1868.26	0.78	1853.49
Brent (USD/bbl)	82.71	82.39	0.39	85.22



Money market India	Current level	Previous close
Call money rate	6.31	6.35
CBLO rate	6.26	6.31
Call traded volume (INR bn)	4829.43	5091.48
Net banking system liquidity injection (+)/absorption(-) (INR bn)	-45.20	-513.61
	T-bills	
91-days	6.87	6.90
182-days	7.32	7.32
364-days	7.33	7.34



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