



# marketbuzz



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#### View from the Top

Global equity markets mostly rose during the month under review on hopes that interest rates may soon start coming down. The U.S. Federal Reserve in its monetary policy review kept interest rates on hold in its monetary policy review but maintained its forecast for three interest rate cuts this year. Bank of England governor too tilted towards rate cut mode as it that indicated that inflation may ease more than expected. In Asia, Japan's exports increased for a third consecutive month which also added to the gains. However, concerns of a slowdown in growth in China's economy capped the gains. Worries of renewed trade tensions between U.S. and China also weighed on the market sentiment.

On the commodity front gold prices rose on growing anticipation that the U.S. Federal Reserve will lower interest rates by the end of this year. Worries about geopolitical tensions also boosted the safe -haven appeal of the bullion. Global crude oil prices (spot) fell after data showed an unexpected rise in U.S. crude and gasoline inventories for the week ended Mar 22, 2024.

Back home, domestic equity markets rose during the month under review as market participants remained optimistic regarding the growth prospects of the domestic economy after the Indian economy witnessed a faster-than-anticipated growth rate in the quarter ended Dec 2023. Sentiments were further boosted after the U.S. Federal Reserve kept interest rates unchanged for a fifth consecutive meeting in Mar 2024 and maintained its forecast for three rate cuts in 2024.

In the domestic debt market, bond yields fell marginally after a range bound movement during the last month of FY24 tracking decline in the U.S. Treasury yields after the U.S. Federal Reserve in its latest monetary policy meeting decided to keep the interest rate unchanged with an outlook for three rate cuts in 2024.

#### Outlook

Moving ahead, the domestic equity markets will be dictated by the incoming corporate earning numbers for the quarter ended Mar 2024. The outcome of the upcoming general elections will also remain in sharp focus. While it seems that markets may have factored in the likelihood of a stable government post-election, any hint of political uncertainty may weigh on the market sentiment. Incoming domestic macroeconomic data is also expected to have its impact on the markets. On the global front, developments surrounding geopolitical tension and monetary policy action by key central banks across the globe are also expected to impact the markets. In addition to the above-mentioned factors, movement of the rupee against the greenback, transaction trends by foreign institutional investors and global crude oil prices may also dictate the market trend in the coming months.

In the domestic debt market, Indian government planned to borrow Rs. 7.5 lakh crore through bond sale in the first half of FY25 and Rs. 3.21 lakh crore via the sale of Treasury bills in Q1FY25, which are lower than the market participants had thought. The reduction in borrowing plan is likely to support demand in bonds secondary market which can eventually lead to reduction in short term bond yields.

**We are pleased to bring to you the latest version of the Monthly Market Buzz for March. Happy Reading!!!**

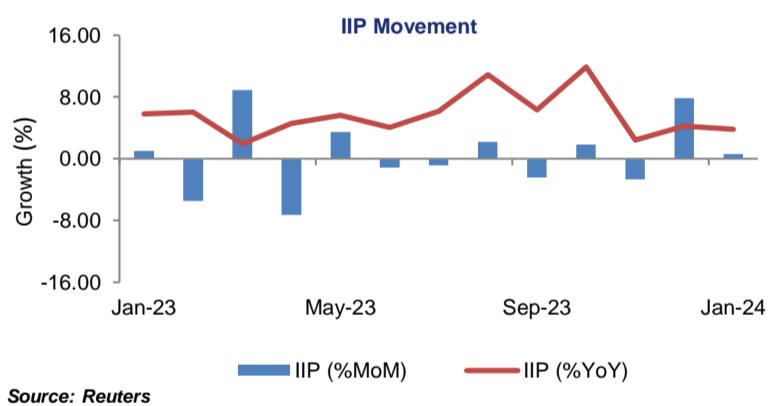
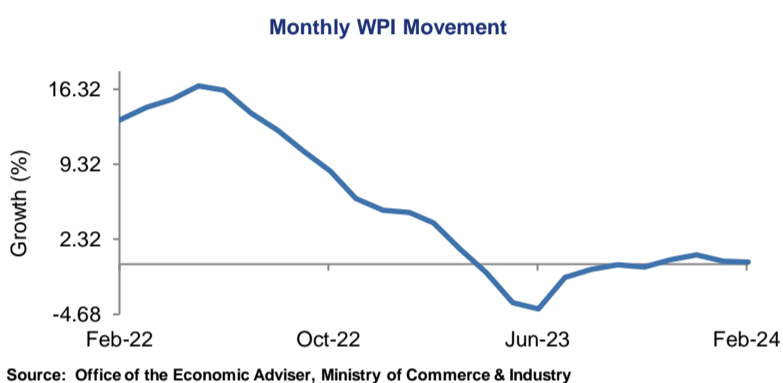
**Deepak Gaddhyan**  
Head – Retail Liabilities & Wealth Management



## INDIAN ECONOMY

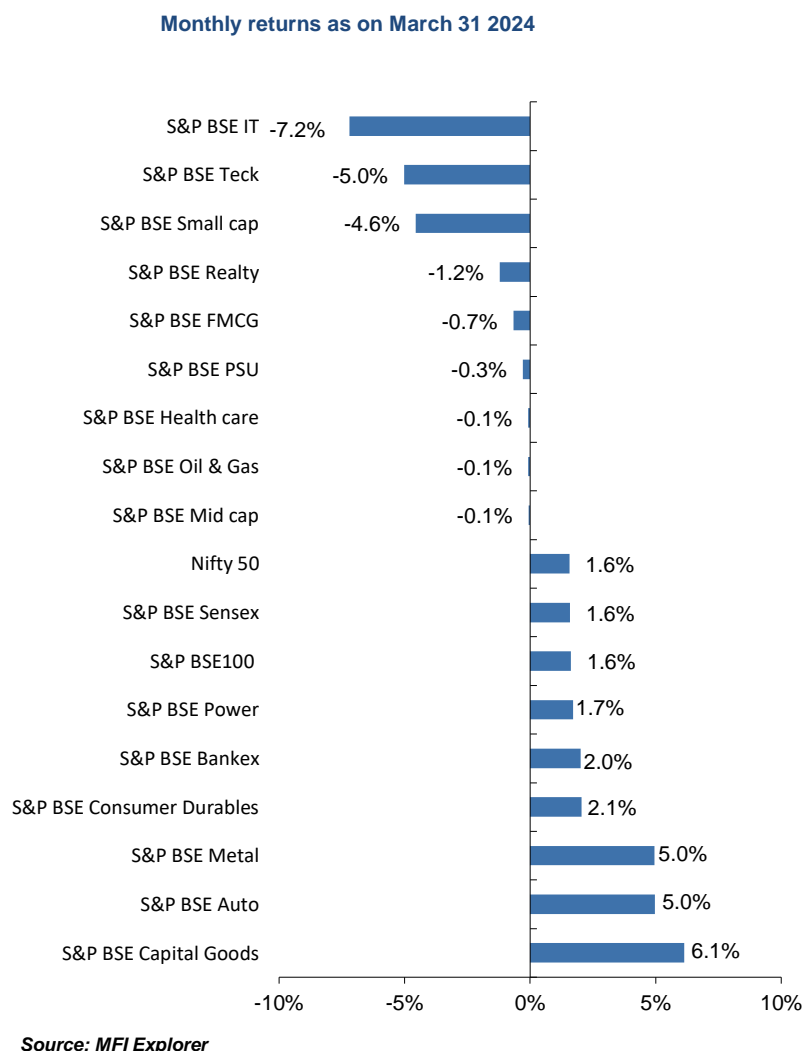
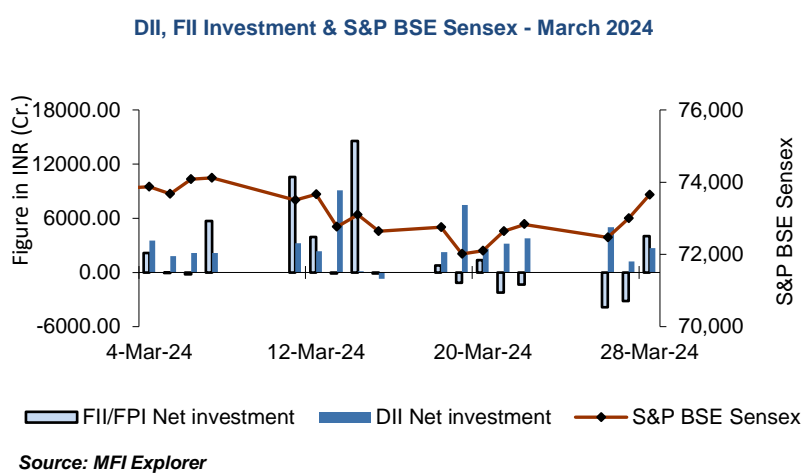
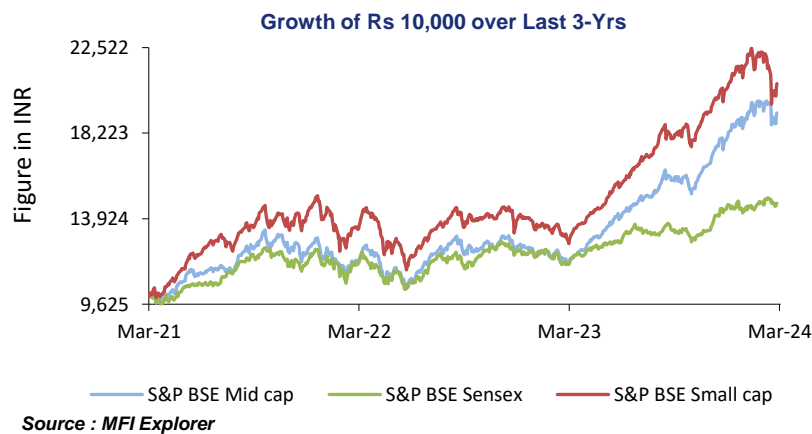
Economic Releases in March-2024			
Key Indicator	Period	Actual	Previous
Repo Rate	Mar-24	6.50%	6.50%
Reverse Repo	Mar-24	3.35%	3.35%
CRR	Mar-24	4.50%	4.50%
Index of Industrial Production (IIP)	Jan-24	3.80%	4.20%
Wholesale Price Index Inflation(WPI)	Feb-24	0.20%	0.27%
Export (Y-o-Y)	Feb-24	11.92%	11.92%
Import (Y-o-Y)	Feb-24	13.07%	13.07%

*Source: RBI, Refinitiv*



- The consumer price index-based inflation eased to 5.09% YoY in Feb 2024 compared to 5.10% in Jan 2024. The retail inflation remained below the central bank's upper tolerance level for consecutive six months. However, the consumer food price inflation increased to 8.66% in Feb 2024 from 8.30% in Jan 2024.
- Industrial production growth in India (IIP) slowed to 3.8% YoY in Jan 2024, as compared to 4.3% rise in Dec 2023. Production in the manufacturing industry increased by 3.2%, mining by 5.9% and electricity by 5.6% in Jan 2024.
- India's wholesale price index (WPI) based inflation eased to 0.20% YoY in Feb 2024 as compared to 0.27% in Jan 2024. Positive rate of inflation in Feb 2024 is primarily due to increase in prices of food articles, crude petroleum & natural gas, electricity, machinery & equipment and motor vehicles.
- India's current account deficit narrowed to US\$ 10.5 billion (1.2% of GDP) in Q3 FY24 from US\$ 11.4 billion (1.3% of GDP) in Q2 FY24 and it was also lower than US\$ 16.8 billion (2.0% of GDP) compared to the same period of previous year. This improvement was primarily driven by higher service exports, with a 5.2% YoY growth in services exports, particularly in software, business, and travel services.
- India's merchandise trade deficit widened to \$18.71 billion in Feb 2024 from \$16.57 billion in Feb 2023. Exports soared 11.9% to \$41.40 billion in Feb 2024 from \$37.01 billion of the same month of previous year and imports also increased by 12.2% to \$60.11 billion from \$53.58 billion during the same period.
- According to media reports, SEBI has instructed fund houses through AMFI to ask for confirmation from the unitholders in instances where joint mutual fund folios have the name of mutual fund distributors (MFD) listed as the second or third holder. This is in response to reports that SEBI discovered a few cases in which MFDs entered their names as the second and third holder in joint mutual fund folios without the investors' knowledge or consent.
- AMFI has requested that fund houses to refrain from holding Mutual Fund Distributors (MFD) training sessions in foreign nations and well-known tourist spots. Rather, AMFI suggested that AMCs consider conducting these kinds of programs in strategically placed and easily accessible areas across the nation.
- According to reports, in the satellite production and operation, satellite data products, and ground and user segments, the government stated that it has reviewed the current Foreign Direct Investment (FDI) Policy in the space sector and authorized up to 74% FDI under automatic route. This covers the complete production and supply of the satellite and payload, as well as the setup of the satellite systems and management of the satellite and payload operations while in orbit.
- According to media reports, Index providers (IPs) like BSE, MSCI, and NSE will now be governed by SEBI. The market regulator issued the SEBI (Index Providers) Regulations, 2024 in order to provide IPs in the securities market a regulatory framework and increase their transparency and accountability in the governance and administration of indices.

## Indian Equity Market



- Domestic equity markets witnessed some volatility during the month under review. Domestic equities rose initially as market participants remained optimistic regarding the growth prospects of the domestic economy after the Indian economy witnessed a faster-than-anticipated growth rate in the quarter ended Dec 2023. Government data showed that Indian economy grew by a robust 8.4% in the Q3 of FY24, with an upward revision in the numbers of Q1FY24 and Q2FY24.
- However, gains were short lived after heavy sell-off was witnessed across the segments, especially in the mid-cap and small-cap segments, before the release of the stress test result on mid-cap & small-cap schemes on Mar 15, 2024. It needs to be noted that capital market regulator SEBI had expressed concerns over high valuations in pockets of markets and had directed AMFI to conduct stress tests of small and mid-cap funds. The objective was to test whether redemptions can be done easily in case a stress scenario occurs. Market participants also exercised caution and remained on the sidelines as they awaited the outcome of the much-anticipated U.S. Federal Reserve monetary policy review.
- Meanwhile, sentiments were boosted after the U.S. Federal Reserve kept interest rates unchanged for a fifth consecutive meeting in Mar 2024 and maintained its forecast for three rate cuts in 2024. Bank of England governor too indicated that it may start cutting interest rates which added to the gains. Markets rose further after preliminary data indicated robust domestic business activity for Mar 2024. Hopes that domestic direct tax collections may remain upbeat and surpass the target collections for FY24 also contributed to the market upside.
- Domestic equity markets continued to remain supported towards the end of the month after banks and non-banking financial companies (NBFCs) got some relief after the Reserve Bank of India relaxed the norms it announced on investments in Alternative Investment Funds (AIFs) in December 2023. According to the new norms, banks and NBFCs are required to make provisioning only to the extent of the amount invested by the AIF scheme in a debtor company and not the entire investment. The move is expected to lower the burden on the NBFCs as earlier they were required to do 100% provisioning for the total investments in AIFs.
- On the BSE sectoral front, S&P BSE Capital Goods rose the most by 6.15% followed by S&P BSE Auto and S&P BSE Metal which rose 4.96% and 4.95% respectively. Capital goods stocks benefitted on hopes that the Indian government will continue to lead the capex cycle in the coming years.

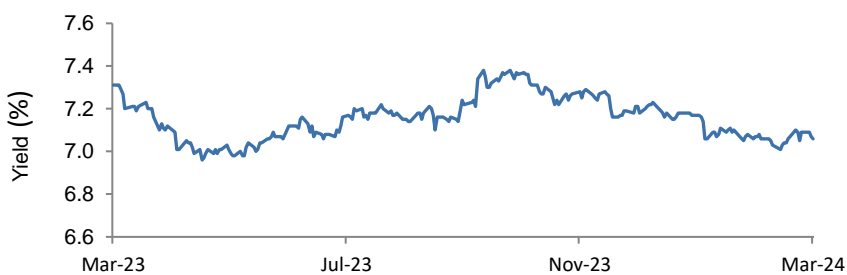


## Indian Fixed Income

Indicators (Yield %)	March 28, 2024	February 29, 2024
Call Rate	7.63%	6.67%
FBIL 1 Mn Term Mibor	7.38%	7.16%
10-Yr benchmark bond	7.06%	7.08%
Reverse Repo	3.35%	3.35%
Repo	6.50%	6.50%
Bank Rate	6.75%	6.75%
CRR	4.50%	4.50%

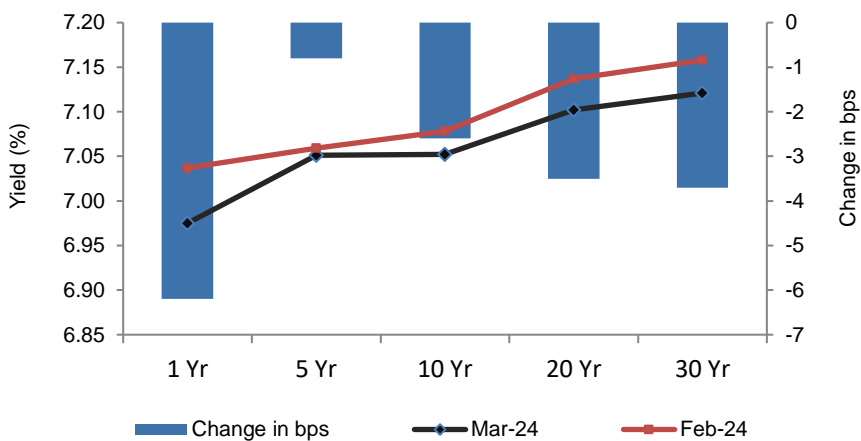
Source: Refinitiv

10-Yr Benchmark Bond



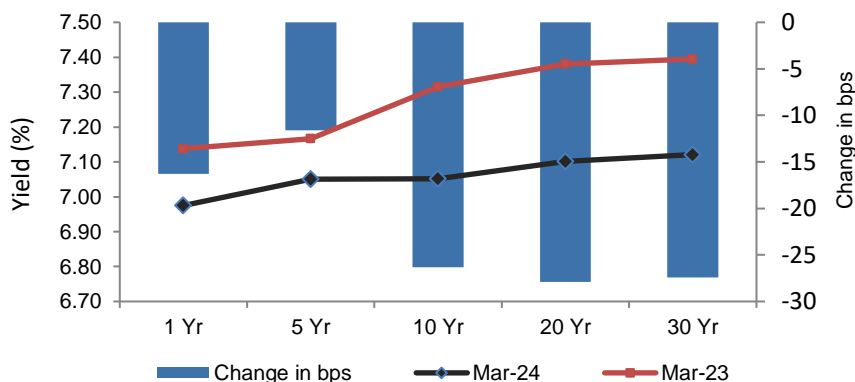
Source: CCIL

India Yield Curve Shift (Month-on-Month)



Source: Refinitiv

India Yield Curve Shift (Year-on-Year)



Source: Refinitiv

- Bond yields fell marginally after a range bound movement during the last month of FY24 tracking decline in the U.S. Treasury yields on expectations of a rate cut later this year. The U.S. Federal Reserve's in its latest monetary policy meeting decided to keep the interest rate unchanged with an outlook for three rate cuts in 2024. Yields further fell on the government's first-half planned borrowing from the market being much less than anticipated. Continuous buying from foreign investors boosted investor sentiments. However, gains reversed on higher-than-expected producer prices reading in the U.S. for Feb 2024. Further record state debt supply in a week negatively and surprise state debt sale in between impacted market participants' sentiment.

- Yield on the 10-year benchmark paper (7.18% GS 2033) fell by 2 bps to close at 7.06%, compared with the previous month's close of 7.08%.

- Bond yields remained steady at the beginning of the month in the absence of any major triggers. Yields remained steady even after Bloomberg Index Services revealed the timeline for adding government bonds to its index.

- However, yields started to fall following the ease in U.S. Treasury yields as expectations of a rate cut later this year were reinforced by remarks made by the chairperson of the U.S. Federal Reserve. Yields further decreased as the downtrend in U.S. Treasury yields continued.

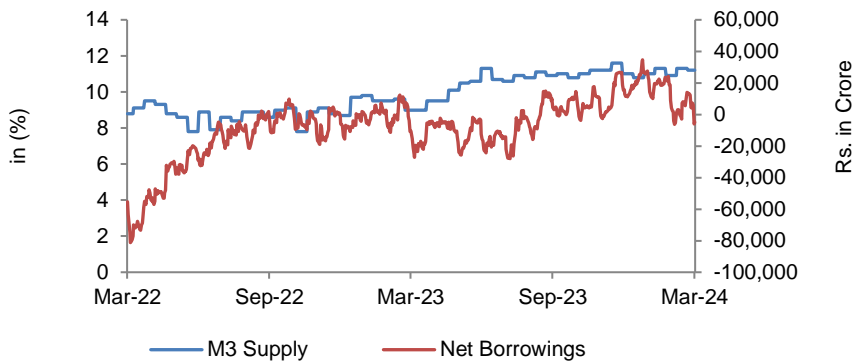
- Meanwhile, yields started to rise in tandem with increase in U.S. treasury yields due to unexpectedly high inflation data in U.S. for the month of Feb 2024. Yields rose further following the higher-than-expected producer prices reading in the U.S. for Feb 2024 which led to further uncertainty for the interest cut in Jun 2024 by the U.S. central bank.

- In the meantime, yields witnessed significant fall following the U.S. Federal Reserve's decision to keep the interest rate unchanged with an outlook for three rate cuts in 2024.

- Gains were restricted as states surprised the market by announcing plans to hold another record debt sale during the holiday-truncated last week of the fiscal year.

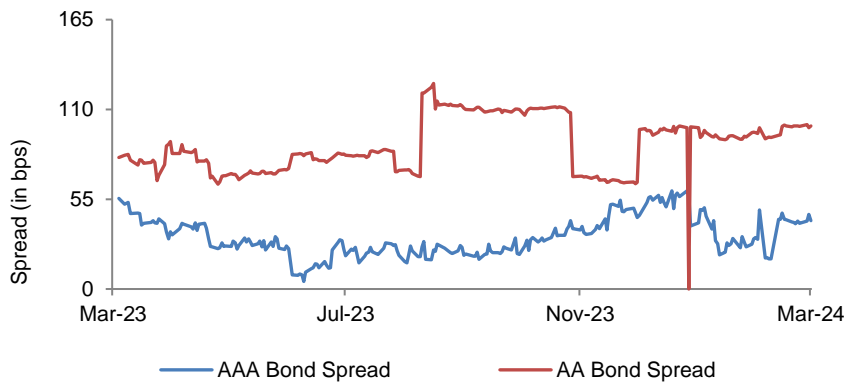
- However, yields decreased towards end of the month amid value buying after a recent decline in bond prices.

Liquidity Monitor- M3 Supply and Net Borrowings



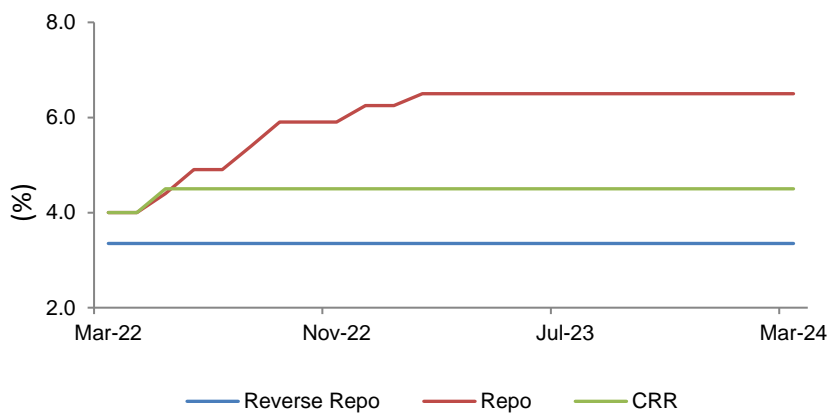
Source: Refinitiv

10 Year Corporate Bond Spread (for AAA & AA bonds)



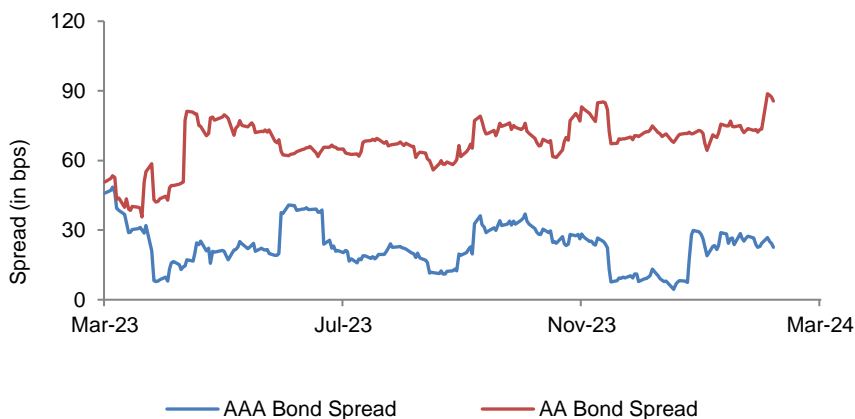
Source: Refinitiv

Movements of Key Policy Rates in India



Source: RBI

5 Year Corporate Bond Spread (for AAA & AA bonds)



Source: Refinitiv

- The central bank of India conducted auctions of 91-, 182- and 364-days Treasury Bills for a notified amount of Rs. 1,36,000 crore in Mar 2024, compared to Rs. 1,22,000 crore in the previous month. The average cut-off yield of 91-, 182- and 364-days Treasury Bills stood at 6.92%, 7.14% and 7.09%, respectively, during the month under review compared with the average yield of 7.01%, 7.17% and 7.13%, respectively in the previous month.
- The RBI also conducted auction of state development loans (SDL) for a total notified amount of Rs. 1,97,763 crore (accepted amount was Rs. 1,92,763 crore), which is much higher than the scheduled amount of Rs. 1,27,907 crore during Mar 2024. The average cut-off yield of 10-year SDL fell to 7.43 % during Mar 2024 from 7.68% in the previous month.
- Yield on gilt securities fell up to 4 bps across the maturities, barring 1-, 2-, 15- & 19-year papers that rose up to 5 bps, while 4-year paper was unchanged. Yield fell the most on 14-year paper and rose the most on 1 year paper. Yield on corporate bonds increased up to 16 bps across the curve barring 2- & 3-year papers that fell up to 2 bps, while 4-year paper was unchanged. Difference in spread between corporate bond and gilt securities expanded in the range of 2 to 14 bps across the segments, barring 2-to-4-year papers that contracted up to 2 bps.

## GLOBAL EQUITY MARKET

Performance of Major International Markets (as on March 28, 2024)		
Indices	Country	1 Mth (%)
<b>United States</b>		
Nasdaq 100	U.S.	1.17
Nasdaq Composite	U.S.	1.79
<b>Asia Pacific</b>		
SET Composite Index	Thailand	0.53
Jakarta Composite	Indonesia	-0.37
Straits Times Index	Singapore	2.62
KOSPI Index	South Korea	3.95
Nikkei Stock Average 225	Japan	3.07
Taiwan SE Weighted Index	Taiwan	7.00
Shanghai Composite Index	China	0.86
S&P BSE Sensex	India	1.59
S&P/ASX 200	Australia	2.57
<b>Europe</b>		
FTSE 100	U.K.	4.23
CAC 40	France	3.51
DAX Index	Germany	4.61

*Source: MFI Explorer & Refinitiv*

### United States

- U.S. equity markets rose after a positive reaction to the latest monetary policy announcement by the U.S. Federal Reserve. As anticipated, the U.S. Federal Reserve kept interest rates constant, but the central bank also maintained its forecast for three interest rate cuts this year. Further, the market rose after the Labor Department published a report unexpectedly showing a modest decline in first-time claims for U.S. unemployment benefits in the week ending Mar 16, 2024.

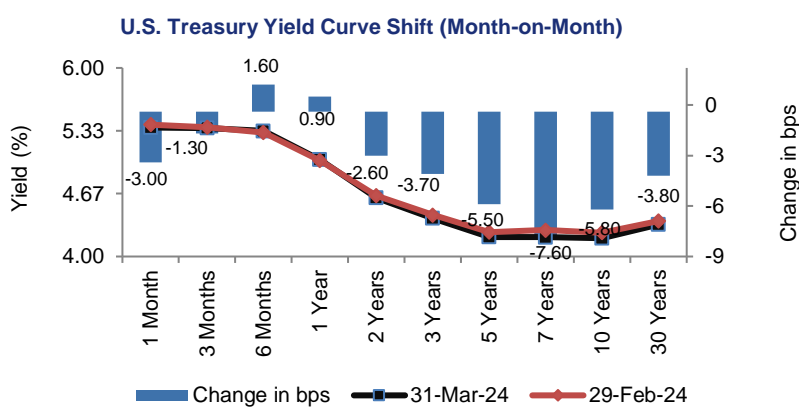
### Europe

- European equity markets rose as investors cheered the U.S. Federal Reserve's dovish remarks, which implied that the U.S. central bank will continue on its current course to lower interest rates three times in 2024. Further, the market rose as the Bank of England projected that inflation was expected to ease faster than expected.

### Asia

- Asian equity markets mostly rose after data showed consumer prices in China rose 0.7% in Feb 2024 after a 0.8% decrease in Jan 2024. Additionally, the market rose after a downward revision of job growth estimates for Dec 2023 and Jan 2024 raised expectations that the U.S. Federal Reserve will begin reducing interest rates in Jun 2024.

## GLOBAL FIXED INCOME - U.S. TREASURY



- Yields on the 10-year U.S. Treasury fell by 6 bps to close at 4.19% from the previous week's close of 4.25%.
- U.S. Treasury prices rose after the Federal Reserve's revised economic predictions, and the bank still plans to lower interest rates three times this year.
- Prices rose further as investors continued to bet that, in spite of recent stronger-than-expected inflation data in the U.S., the U.S. Federal Reserve will start lowering interest rates in Jun 2024.
- However, gains were restricted after consumer price inflation in Feb 2024 was marginally higher than forecast by experts, which sparked worries that if price pressures continue to be high, the U.S. Federal Reserve might not be able to lower interest rates as soon as investors had anticipated.

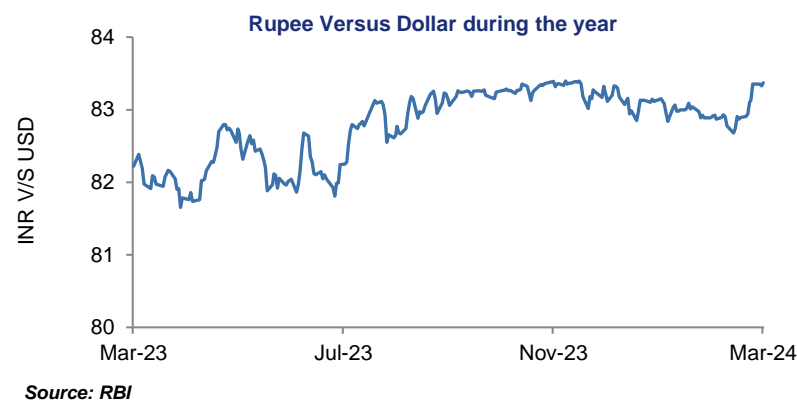




## CURRENCY

Movement of Major Currencies (as on March 28, 2024)				
Currency	Value (as on 28-Mar-2024)	1 Mth	3 Mth	1 Yr
U.S. Dollar	83.37	82.92	83.12	82.22
Pound Sterling	105.29	105.03	106.11	101.87
Euro	90.22	89.86	92.00	89.61
Yen (Per Rs.100)	55.00	55.00	59.00	62.00

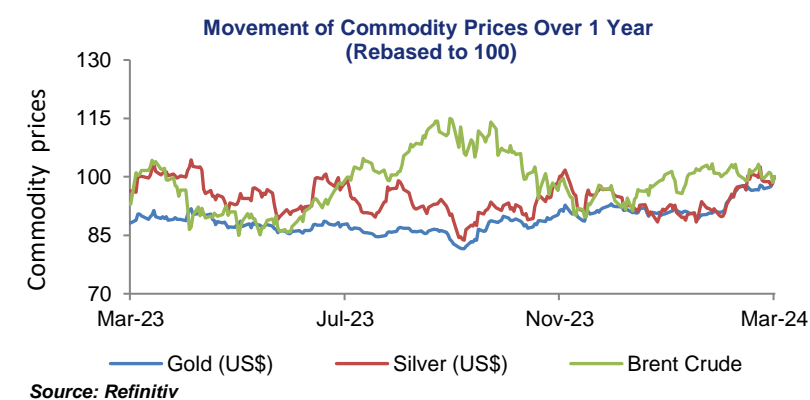
Source: RBI




## COMMODITIES

Performance of Various Commodities					
Commodities	Last Closing (28-Mar-24)	Returns (in %)			
		1 Wk	1 Mth	6 Mth	1 Yr
Crude Brent (\$/Barrel)	85.52	0.36	-0.81	-11.71	7.59
Gold (\$/Oz)	2232.38	3.15	9.26	20.78	13.44
Gold (Rs/10 gm)	66987.00	1.53	7.88	16.31	12.47
Silver (\$/Oz)	24.97	1.26	10.17	12.70	3.74
Silver (Rs/Kg)	74028.00	0.19	6.52	3.61	3.70

Source: Refinitiv



### INR

- Rupee fell against the U.S. dollar due to strong greenback demand. Prices fell further due to rise in crude oil prices. However, losses were restricted due to favorable trends in the domestic equity market.
- Prices were enhanced further following the inflow of foreign funds into the domestic markets. Furthermore, prices rose in response to the probable Reserve Bank of India intervention and the increase in their Asian counterparts, which supported the recovery of the Indian rupee.

### EURO

- Euro fell against the U.S. dollar following the unexpected interest rate decrease by the Swiss National Bank, which bolstered global risk sentiment and underscored the appeal of the greenback amid strong U.S. economic growth. Prices fell further after the European Central Bank suggested a probable interest rate cut in Jun 2024.
- However, losses were restricted after data showed an anticipated Jun 2024 interest rate cut from the U.S. Federal Reserve following a downward revision in job growth for the months of Dec 2023 and Jan 2024.

### Crude

- Brent crude oil prices fell as the U.S. Federal Reserve is set to hold interest rates higher for now. Prices fell further after data showed an unexpected rise in U.S. crude and gasoline inventories in the week ended Mar 22, 2024. Further, prices fell as investors evaluated the most recent U.S. inflation data and ongoing concerns regarding China's demand prospects.
- However, losses were restricted because of a tight supply outlook following drone strikes by Ukraine on Russian oil refineries.

### Gold

- Gold prices rose as new information indicating an increase in the jobless rate in the U.S. increased anticipation that interest rate cuts by the U.S. Federal Reserve may occur shortly in Jun 2024. Further, prices rose as demand for safe havens rose due to geopolitical tension.
- Prices increased amid continued optimism about an interest rate cut by the U.S. Federal Reserve in Jun 2024.

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**All information mentioned in this document pertains to the month ended March 31, 2024.**

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