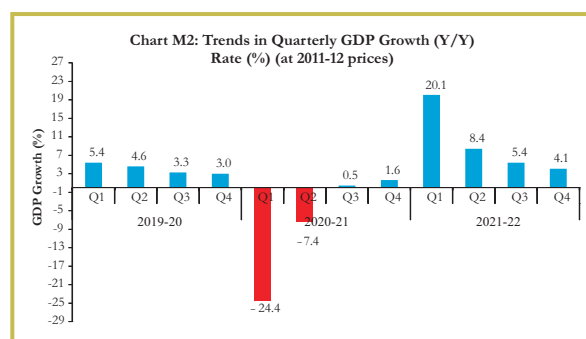
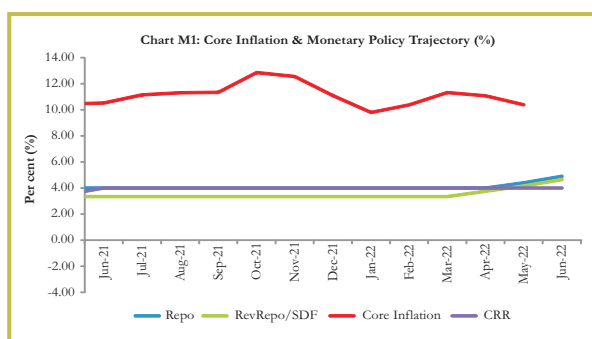


Market Roundup

Domestic Macroeconomic Development

The Reserve Bank of India's (RBI) Monetary Policy Committee (MPC) increased the policy repo rate by 50 basis points (bps) in its June 2022 meeting. The RBI Governor Mr. Shaktikanta Das attributed the heightened inflationary expectations, emanating from global headwinds, as the key reason behind the rate hike. Inflation projection for FY2022-23 was raised by 100 bps from the April policy, to 6.7%. Inflation was also expected to remain elevated for the next three quarters, before moderating. Growth outlook on the other hand was kept unchanged, with the FY23 GDP growth projected at 7.2%. The MPC observed that economic activity is on a stable path, with urban demand outpacing rural demand, and systemic liquidity still at a large surplus, while reducing gradually.



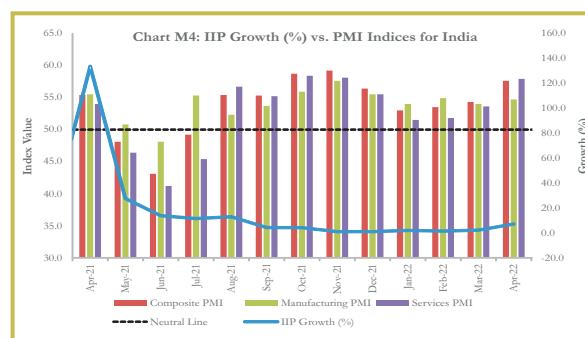
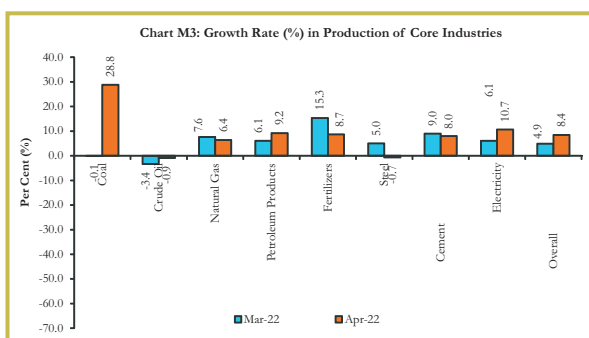
The provisional estimates for gross domestic product (GDP) for FY 2021-22 was released by the Ministry of Statistics and Programme Implementation (MOSPI), along with the quarterly growth figures for Jan-Mar 2022. Real output is estimated to have grown by 4.1% in the fourth quarter of the previous fiscal, as against 5.4% in Q3. Agriculture and allied activities grew by 4.1% (2.5% in Q3), while aggregate industrial growth was 1.3% (vs. 0.3%). Within the industrial segment, mining growth decelerated from 9.2% in Q3 to 6.7%. Manufacturing growth declined to negative (-0.2% vs. 0.3%), while utility services such as gas, water and electricity etc. registered a higher growth compared to Q3 (4.5% vs. 3.7%). Aggregate services segment growth also decelerated to 5.5% (vs. 8.1%), due to lower growth in public administration, defence and other services (7.7% vs. 16.7%).

On the expenditure side, consumption expenditure decelerated significantly in Q4 FY22 to 1.8% (7.4% in Q3). Government expenditure on the other hand, increased (4.8% vs. 3%). Private investment augmentation, denoted by gross fixed capital formation (GFCF) growth, increased too (5.1% vs. 2.1%). Exports grew at a lesser rate than imports (16% and 18% respectively). Overall, the economy is expected to have grown by 8.7% during FY22 as per provisional estimates. The low base effect during FY2020-21 has boosted the annual growth estimates for all segments, including manufacturing and private consumption. Agricultural growth however remained stagnant, as the segment was relatively less affected by lockdowns during FY 2020-21.

Macro-Economic Overview

Table M1: Trends in GVA Growth Estimate at Factor Cost (at 2011 – 12 Prices)							
GVA at Basic Price (2011-12 prices) Rs Crore	Share (%)	GVA (Q4 2021-22) @ Rs Crore	Quarterly GVA Growth (Y/Y) Rate (%)				
			2020-21 Q4	2021-22 Q1	2021-22 Q2	2021-22 Q3	2021-22 Q4
1. Agriculture, Forestry & Fishing	15	568880	2.8	2.2	3.2	2.5	4.1
2. Industry	32	1192411	13.4	46.6	7	0.3	1.3
Mining & Quarrying	3	99020	-3.9	18	14.5	9.2	6.7
Manufacturing	18	676414	15.2	49	5.6	0.3	-0.2
Electricity, Gas, Water Supply & Other Utility Services	2	78694	3.2	13.8	8.5	3.7	4.5
Construction	9	338283	18.3	71.3	8.1	-2.8	2
3. Services	53	1947486	2.1	10.5	10.2	8.1	5.5
Trade, Hotels, Transport, Communication and Services related to Broadcasting	20	742200	-3.4	34.3	9.6	6.3	5.3
Financial, Real Estate & Professional Services	19	711375	8.8	2.3	6.1	4.2	4.3
Public Administration, Defence and Other Services	13	493911	1.7	6.2	19.4	16.7	7.7
GVA at Basic Price	100	3708776	5.7	18.1	8.3	4.7	3.9
GDP @ 2011-12		4078025	2.5	20.1	8.4	5.4	4.1

Industrial production and core industries' growth received a boost in April 2022 due a low base of the previous year, on account of the second wave of the Covid-19 pandemic. Growth in core industries was at 8.4% in April, as against 4.9% in the previous month. Coal production (28.8% vs, -0.1%) and electricity generation (10.7% vs. 6.1%) registered double digit growth. Production of crude oil remained negative in terms of growth (-1% vs. -3.4%) along with steel production (-0.7% vs. 5%).



Growth in industrial production also registered an eight month high of 7.1% on account of the low base. Mining, manufacturing and electricity generation registered higher growth compared to the previous month. The consumer durables segment also registered a positive growth after six months. Demand in non-durables was relatively stable even during the second wave, therefore the Y-o-Y growth remained tepid in the segment in April 2022.

Macro-Economic Overview

Table M2: India's Industrial Production Growth Profile (at Base Year 2011-12)										
Growth (Y/Y) Rate on Use-Based (Goods) Classification										
Period	Mining	MFG	Electricity	IIP	Primary	Capital	Intermediate	Infrastructure/ Construction	Consumer Durables	Consumer Non-Durables
2020-21	-8.08	-9.19	0.07	-8.2	-7.02	-16.61	-9.79	-8.03	-11.81	-1.77
2021-22	11.68	7.11	5.75	7.39	8.08	13.88	11.18	12.33	10.38	-0.78
Apr-21	36.55	195.96	38.54	133.52	36.9	1028.57	213	609.36	1778.18	92.57
May-21	23.63	32.11	7.5	27.61	15.85	74.86	54.24	46.49	80.35	0.22
Jun-21	23.1	13.17	8.26	13.81	11.99	27.27	22.64	20.02	28.01	-3.86
Jul-21	19.54	10.55	11.06	11.54	12.42	30.32	14.59	12.29	19.42	-2.28
Aug-21	23.33	11.12	15.98	12.97	16.91	20.03	11.82	13.47	11.05	5.93
Sep-21	8.56	4.27	0.9	4.35	4.64	3.32	6.96	9.27	1.55	-0.07
Oct-21	11.47	3.33	3.14	4.17	8.99	-1.64	4.62	6.59	-3.21	0.67
Nov-21	4.88	0.31	2.14	1.03	3.52	-2.61	2.1	3.06	-5.66	-0.8
Dec-21	2.64	0.58	2.85	1.02	2.77	-3.03	1	1.99	-1.92	0.31
Jan-22	2.97	1.9	0.85	1.98	1.56	1.82	2.54	5.86	-4.36	3.07
Feb-22	4.5	0.54	4.48	1.46	4.56	2.04	3.7	9.15	-8.72	-5.83
Mar-22	3.88	1.4	6.11	2.2	5.66	2.01	1.82	6.67	-2.63	-4.64
Apr-22	7.81	6.34	11.78	7.14	10.12	14.68	7.59	3.75	8.52	0.29

Source: MOSPI & CCIL Research

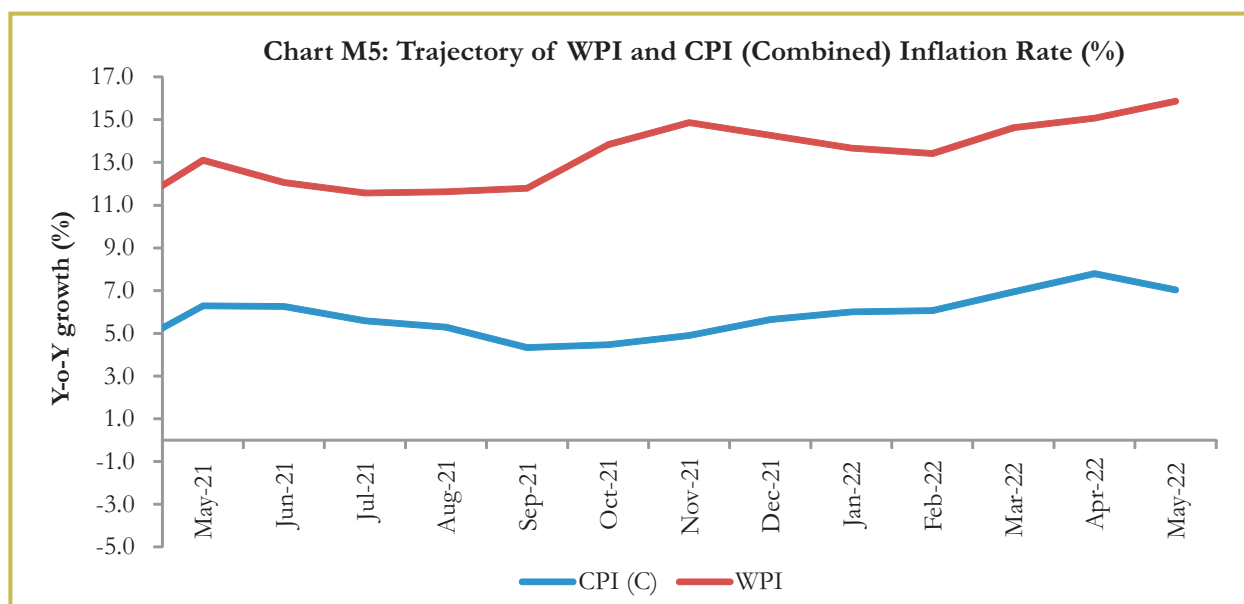
Consumer inflation decelerated marginally in April 2022 (7.04% vs. 7.8% in March) due to cooling food inflation. Urban inflation remained marginally higher than rural (7.08% vs. 7.01%). In the combined segment, consumer food price index-led inflation decelerated to 7.97% (vs. 8.3%). Inflation in oils & fats (13.26% vs. 17.28%) and vegetables (18.26% vs. 15.34%) remained in double digits. Fuel & power inflation also decelerated marginally (9.54% vs. 10.67%).

Table M3: Indian Inflation (Y/Y) Rate (%) Environment						
Type	Items	May-22	Apr-22	Jan-22	Nov-21	May-21
WPI Inflation Rate (New Series)	WPI	15.88	15.08	13.43	14.87	13.11
	Primary	19.71	15.45	13.87	10.21	9.4
	Food	12.34	8.35	8.19	4.82	4.25
	Fuel & Power	40.62	38.66	30.84	44.37	36.74
	Manufactured Products	10.11	10.85	10.24	12.34	11.25
CPI Inflation Rate	CPI-Rural	7.01	8.38	6.38	4.29	6.55
	CPI-Urban	7.08	7.09	5.75	5.54	5.91
	CPI-Combined	7.04	7.79	6.07	4.91	6.3
	CFPI (C)	7.97	8.31	5.85	1.87	5.01

Source: Office of the Economic Advisor & MOSPI, CFPI ©: Consumer Food Price Index (Combined), * P: Provisional; R: Revised for WPI; F: Final for CPI;

Macro-Economic Overview

Wholesale price inflation (WPI) on the other hand, registered a record high of 15.88%, which was the highest since September 1991. Fuel inflation remained stubbornly high (40.6% vs. 38.7%), whereas the other three key sub-components namely, inflation in primary articles (19.7% vs. 15.5%), food (12.3% vs. 8.4%) and manufactured products (10.1% vs. 10.9%) all remained in double digits.



Exports from India registered a growth of 20.5% in May 2022, to reach US\$38.9 billion. Exports had reached US\$40.2 billion in the previous month. Within the export segment, petroleum products (60.9%), coffee (52.7%) and leather & leather products (48.5%) registered high growth numbers. Imports on the other hand, registered a Y-o-Y growth of 62.8% to reach US\$63.2 billion, from US\$60.3 billion in April 2022. As a result of the higher import volume relative to exports, trade deficit widened to US\$24.3 billion in May, as against US\$20.11 billion in April 2022. Oil imports grew by 102% due to a low base in April 2021, to reach US\$19.2 billion in May 2022. Oil imports in May 2021 were worth US\$9.47 billion. It must be noted that crude oil price in the global commodity market has skyrocketed from US\$66 per barrel in May 2021, to around US\$120 during May 2022, almost doubling in value.

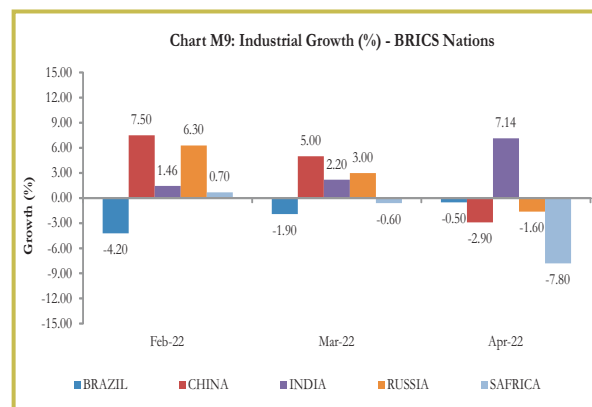
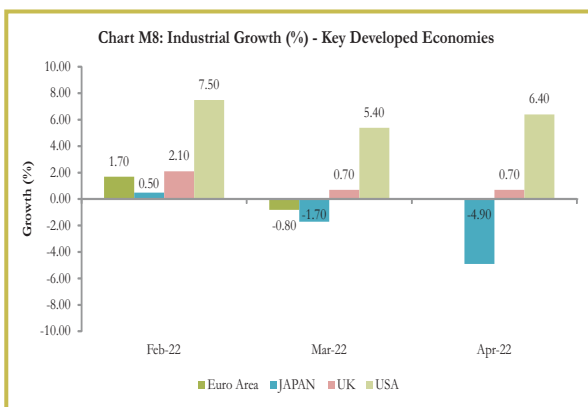
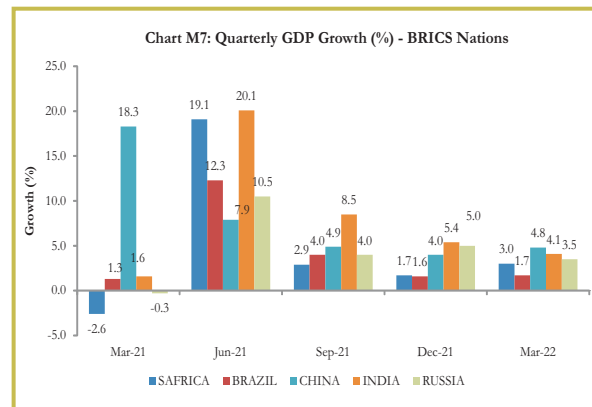
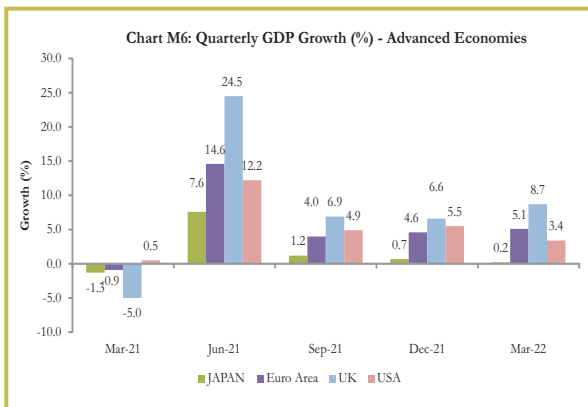
Period	Merchandise Trade				Services Trade*			
	Exports	Imports			Trade Balance	Exports	Imports	Balance
		Oil Imports	Non-Oil Imports	Total				
2021-22	63.05	20.24	64.63	84.87	-21.82	35.92	19.57	16.35
2022-23	78.72	39.32	84.09	123.41	-44.69	45.87	28.48	17.39
Growth (%)	24.85	94.27	30.11	45.41	-104.81	27.7	45.53	6.36
May-21	32.3	9.47	29.36	38.83	-6.53	17.86	9.95	7.91
May-22	38.94	19.19	44.03	63.22	-24.28	23.28	14.43	8.85
Growth (%)	20.56	102.64	49.97	62.81	-271.82	30.35	45.03	11.88

Source: Department of Commerce / Trade Statistics; * Services Trade Data is an estimate for current month

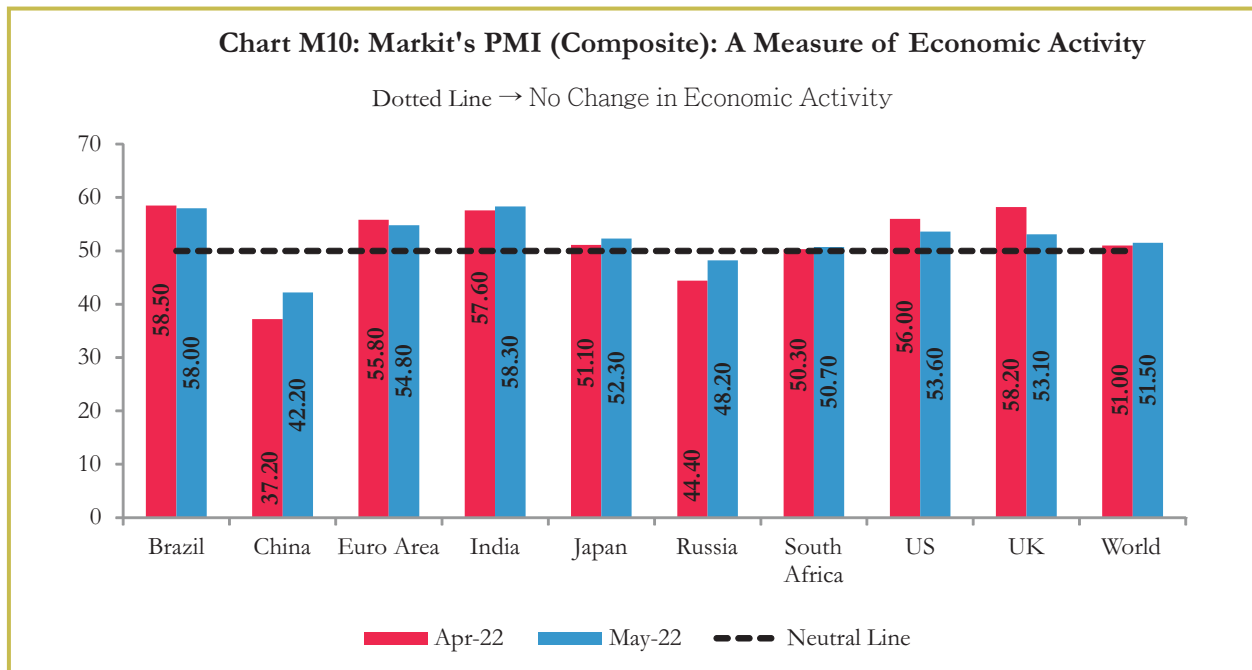
Macro-Economic Overview

Global Macroeconomic Developments

The Federal Reserve increased the funds rate by 75 basis points (bps) to 1.5%-1.75% during its June meeting. It is the biggest rate increase since 1994, and Chair Powell signaled a similar move could come at the next meeting but he does not expect 75 bps moves to be common. The economic growth for 2022 is projected at 1.7% this year, below 2.8% estimated in March and the growth outlook was also lowered to both 2023 (1.7% vs 2.2%) and 2024 (1.9% vs 2.0%). PCE inflation is seen higher at 5.2% in 2022 (vs 4.3% expected in March) while the outlook was revised lower for both 2023 (2.6% vs 2.7%) and 2024 (2.2% vs 2.3%). The rate hike was to counter rapidly surging inflation, which scaled a 41 year high growth of 8.6% in May, from 8.3% in April. Energy prices, utility and food contributed the most to the record inflation. Industrial production grew 6.4% Y-o-Y in April, from 5.4% in March 2022. PMI surveys for May indicate robust activity levels in both manufacturing and services segments, although services activity is observed to have decelerated from the previous month.



Macro-Economic Overview

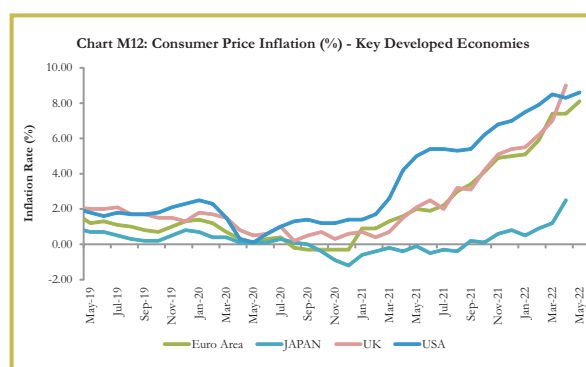
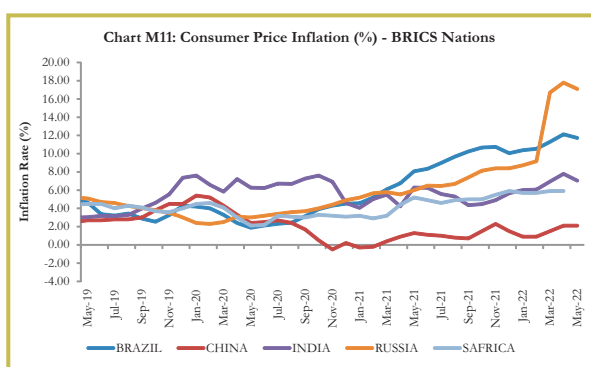


The Bank of England (BoE) also raised its policy rate (bank rate) by 25 bps to 1.25% during its June meeting. This was its fifth consecutive rate hike to counter inflation, which soared to 9% in April, the highest since 1982. A cap in energy prices by the Government implied that the biggest push to inflation came from utility services, such as liquid fuels (113.9%), gas (95.5%) and electricity (53.5%). The BoE expects inflation to rise further to 11% by October, while paring the economic output growth down significantly for this calendar year.

The European Central Bank (ECB) decided to accelerate the completion of the design of a new anti-fragmentation instrument aimed to prevent unwarranted jumps in euro-area bond yields during an emergency meeting on June 15th 2022. Policymakers also decided to apply flexibility in reinvesting redemptions coming due in the PEPP portfolio, with a view to preserving the functioning of the monetary policy transmission mechanism. This was after the ECB had announced its intention to raise policy rates by 25 bps in its July meeting, and plausibly steeper hikes further ahead into the year, if inflation outlook deteriorates. Inflation in May came in at 8.1%, from 7.4% in the previous month, powered by energy, food and services.

The Bank of Japan (BoJ) left its key short-term interest rate unchanged at -0.1% and that for 10-year bond yields around 0% during its June meeting, by an 8-1 vote, as widely expected. The board also said it would offer to buy unlimited amounts of the bonds to defend an implicit 0.25% cap every market day, repeating the guidance on market operations it made in April. Policymakers viewed that Japan's economy has picked up, despite some weakness due to the impact of COVID-19 and surging commodity prices. Private consumption has recovered, particularly in the service sector; while exports and industrial output have continued to grow. On the price front, the inflation is likely to be at around 2%, amid high energy and food prices. The BoJ reiterated that it will not hesitate to take extra easing measures if needed.

Market Overview



Money Market Review

When RBI surprised the market by hiking policy rate by 40 bps in an off-cycle monetary policy meet (May 04) in a move to fight rising inflation, short term rates instantaneously got adjusted to the new normal. Overnight rates, across money market segments, jumped by 39 to 41 bps and crossed 4% mark after 2 years. Comfortable liquidity in the banking system anchored money market rates near 4.05%-4.08% level till third week of May. However, rates touched 4.15%-4.18% levels once CRR hike came into effect from May 21.

Weighted average rate in the Repo market hardened the most (4.05% v/s 3.38%), followed by 56 bps increase in the Call segment and 48 bps uptick in TREP market. Gross trading volume across market segments improved in the month of May, but, volume in TREPs marginally declined considering monthly average.

The subsequent tables show the comparative weighted average rates over a period of time and the comparative statistics of volume and rates across the various sub-groups of the money market.

Table M1: Comparative Weighted Average Money Market Rates (%)					
	May-22	Apr-22	3 Months ago	6 Months ago	Year ago
CALL	4.03	3.48	3.27	3.27	3.2
REPO	4.05	3.38	3.37	3.37	3.29
TREP	4.07	3.58	3.36	3.36	3.26

Table M2: Comparative Money Market Volumes and Rates												
	Gross		Daily Average		Std		Minimum		Maximum		Market Share	
	Volumes (₹ Cr)		Volumes (₹ Cr)		Dev		Rate (%)		Rate (%)		(%)	
	May-22	Apr-22	May-22	Apr-22	May-22	Apr-22	May-22	Apr-22	May-22	Apr-22	May-22	Apr-22
CALL	2,24,643	1,80,175	11,232	10,010	0.13	0.15	3.65	3.24	4.14	3.76	2.24	2
REPO	24,77,758	21,49,135	1,23,888	1,19,396	0.12	0.17	3.72	3.17	4.16	3.77	24.73	23.85
TREP	73,17,750	66,81,453	3,65,888	3,71,192	0.12	0.21	3.76	3.13	4.2	3.93	73.03	74.15

Market Overview

Systemic Liquidity

Liquidity in the banking system remained comfortable throughout the month. Nevertheless, the quantum of liquidity absorption declined at the beginning as well as towards the last week of May. Outflows on account of excise duty payments and the IPO of LIC kept excess money parked under SDF below ₹2 lakh crore till May 6. After improving in the interim period, liquidity surplus narrowed once again towards the last week following RBI's decision to increase CRR by 50 bps to 4.5% which was expected to suck out ₹87,000 crore of liquidity from the banking system and also on account of payments towards goods and service tax.

Average lending by banks through SDF stood at ₹1,34,918 crore in May vis-à-vis ₹1,34,669 crore between April 8 to April 30. Average borrowing by them using MSF was down by 8% to ₹310 crore in the month. RBI, through 14-day and 28-day variable rate reverse repo auctions absorbed ₹6,44,140 crore which has halved by 58% from ₹15,41,138 crore in April.

Table M3: Liquidity Operation through SDF and MSF				
	SDF Volume		MSF Volume	
	May-22	Apr-22 (April 08 – April 30)	May-22	Apr-22
Total Vol	37,77,697	25,58,705	8,685	8,429
Average Vol	1,34,918	1,34,669	310	337

Government Securities Market

Primary Market

Borrowing by government through issuances of dated securities stood at ₹1,30,000 crore for the month. On May 20, RBI issued new 14-year bond having coupon of 7.54%. After RBI stunned markets with upward revision in policy rate, cut-off yields during g-sec auctions in the first couple of weeks jumped by 15-25 bps, for some securities it went up by 50-70 bps (compared to respective previous auctions). During this period, commission rate asked by PDs also witnessed an uptick. Market stabilised in the later half of the month with cut-off yields and commission rate, both, easing to some extent. RBI also conducted SWITCH auction for government securities under which it converted part of some of the 2023-2024 security outstanding into 2030, 2032 and 2033 securities (details provided in Table M5).

State participation in the primary market increased as 14 states borrowed total of ₹57,740 crore in May. Maharashtra (38%), Andhra Pradesh (17%) and Rajasthan (10%) were the top 3 borrowing states. The average cut-off yield for the month was up by 35 bps at 7.70% and it hovered within a wide range of 7.15% - 7.90%. Short term borrowing by the Government by way of treasury bills' auction stood at ₹152,430 crore in May 2022 with average cut-off yields across the instruments hardening considerably post the rate hike.

The tables illustrated below provide the details of various auctions.

Table M4: Details of Auctions of the G-Secs						
Date of Issue/ Auction	Security	Amount (₹Crore)	Cut-off Price (₹)	Yield (%)	Devolvement on Pds (₹Crore)	ACU Commission Cut-off rate
						(paise per ₹100)
06-May-22	5.74% G.S. 2026	9,000.00	94.45	7.2008	0	4.74
06-May-22	FRB 2028	4,000.00	98.55	5.301	0	0.97
06-May-22	6.67% G.S. 2035	10,000.00	92.1	7.6114	0	2.37
06-May-22	6.99% G.S. 2051	9,000.00	91.54	7.7198	0	4.8
13-May-22	4.56% G.S. 2023	4,000.00	97.7	6.1533	0	3.14
13-May-22	7.10% G.S. 2029	7,000.00	99.24	7.24	0	1.63
13-May-22	6.54% G.S. 2032	13,000.00	94.59	7.329	0	2.88
13-May-22	6.95% G.S. 2061	9,000.00	91.52	7.6317	0	1.88
20-May-22	5.74% G.S. 2026	9,000.00	94.82	7.1105	0	0.88
20-May-22	FRB 2034	4,000.00	96.52	6.4072	0	1.25
20-May-22	7.54% G.S. 2036	10,000.00	-	7.54	0	0.95
20-May-22	6.99% G.S. 2051	9,000.00	92.53	7.6293	0	0.94
27-May-22	4.56% G.S. 2023	4,000.00	97.76	6.1488	2235.99	0.67
27-May-22	7.10% G.S. 2029	7,000.00	99.29	7.2307	0	0.51
27-May-22	6.54% G.S. 2032	13,000.00	94.54	7.339	0	0.49
27-May-22	6.95% G.S. 2061	9,000.00	91.56	7.6286	0	0.68

Table M5: Details of SWITCH Auction of Government Securities						
Date of Switch	Source Security	Total amount of source security accepted (₹ Crore)	Destination Security	Total amount of destination security issued (₹ Crore)	Cut-off price/yield for destination security	Net Switch (₹ Crore)
23-May-22	7.68% G.S. 2023	3000	7.57% G.S. 2033	3034.82	100.81/7.4601	34.82
23-May-22	7.37% G.S. 2023	4000	7.95% G.S. 2032	3913.82	103.60/7.4396	-86.18
23-May-22	7.32% G.S. 2024	3000	7.95% G.S. 2032	2938.91	103.61/7.4383	-61.09
23-May-22	8.83% G.S. 2023	3000	7.88% G.S. 2030	3014.23	103.06/7.3556	14.23

Table M6: Details of SDL Auctions/Re-issues						
Date of Issue/ Auction	Security	Amount (₹ Crore)	Cut-off Price (₹)	Yield (%)	Under- subscription	
02-May-22	7.15% Haryana SDL 2028	500	-	7.15	0	
02-May-22	7.27% Haryana SDL 2030	1,000.00	-	7.27	0	
02-May-22	7.45% Andhra Pradesh SDL 2037	390	-	7.45	0	
02-May-22	7.48% Punjab SDL 2042	1,000.00	100.11	7.47	0	
10-May-22	7.63% Haryana SDL 2029	500	-	7.63	0	
10-May-22	7.61% Maharashtra SDL 2029	2,500.00	-	7.61	0	
10-May-22	7.63% Maharashtra SDL 2030	2,500.00	-	7.63	0	

Market Overview

Table M6: Details of SDL Auctions/Re-issues					
Date of Issue/ Auction	Security	Amount (₹ Crore)	Cut-off Price (₹)	Yield (%)	Under- subscription
10-May-22	7.76% Andhra Pradesh SDL 2032	1,000.00	-	7.76	0
10-May-22	7.73% Haryana SDL 2033	500	-	7.73	0
10-May-22	7.74% Haryana SDL 2035	500	-	7.74	0
10-May-22	7.76% Punjab SDL 2037	500	-	7.76	0
10-May-22	7.78% Andhra Pradesh SDL 2041	1,000.00	-	7.78	0
10-May-22	7.78% Andhra Pradesh SDL 2042	1,000.00	-	7.78	0
17-May-22	7.90% Rajasthan SDL 2026	500	102.02	7.29	0
17-May-22	7.46% Andhra Pradesh SDL 2027	1,000.00	-	7.46	0
17-May-22	7.61% Maharashtra SDL 2029	3,000.00	99.94	7.62	0
17-May-22	7.63% Andhra Pradesh SDL 2030	1,000.00	-	7.63	0
17-May-22	7.63% Maharashtra SDL 2030	2,000.00	100.1	7.61	0
17-May-22	7.70% Rajasthan SDL 2032	1,000.00	-	7.7	0
24-May-22	7.62% Maharashtra SDL 2030	2,000.00	-	7.62	0
24-May-22	7.67% Andhra Pradesh SDL 2031	1,000.00	-	7.67	0
24-May-22	7.69% Mizoram SDL 2031	150	-	7.69	0
24-May-22	7.70% Maharashtra SDL 2032	2,000.00	-	7.7	0
24-May-22	7.71% Andhra Pradesh SDL 2032	1,000.00	-	7.71	0
24-May-22	7.72% Jammu and Kashmir SDL 2032	1,000.00	-	7.72	0
24-May-22	7.72% Manipur SDL 2032	250	-	7.72	0
24-May-22	7.73% West Bengal SDL 2032	2,500.00	-	7.73	0
24-May-22	7.72% Maharashtra SDL 2034	2,000.00	-	7.72	0
24-May-22	7.72% Rajasthan SDL 2035	1,000.00	-	7.72	0
24-May-22	8.25% Rajasthan SDL 2038	1,000.00	104.83	7.72	0
31-May-22	7.63% Haryana SDL 2028	1,000.00	-	7.63	0
31-May-22	7.62% Maharashtra SDL 2030	2,000.00	99.56	7.69	0
31-May-22	7.80% Andhra Pradesh SDL 2031	1,000.00	-	7.8	0
31-May-22	7.77% Gujarat SDL 2031	1,000.00	-	7.77	0
31-May-22	7.80% Meghalaya SDL 2031	200	-	7.8	0
31-May-22	7.81% Goa SDL 2032	100	-	7.81	0
31-May-22	7.80% Gujarat SDL 2032	1,500.00	-	7.8	0
31-May-22	7.81% Haryana SDL 2032	1,000.00	-	7.81	0
31-May-22	7.70% Maharashtra SDL 2032	2,000.00	99.25	7.81	0
31-May-22	7.82% Manipur SDL 2032	150	-	7.82	0
31-May-22	7.80% Tamil Nadu SDL 2032	2,000.00	-	7.8	0
31-May-22	7.83% West Bengal SDL 2032	3,000.00	-	7.83	0
31-May-22	7.90% Andhra Pradesh SDL 2033	500	-	7.9	0

Table M6: Details of SDL Auctions/Re-issues

Date of Issue/ Auction	Security	Amount (₹ Crore)	Cut-off Price (₹)	Yield (%)	Under- subscription
31-May-22	7.90% Andhra Pradesh SDL 2034	1,000.00	-	7.9	0
31-May-22	7.85% Kerala SDL 2034	1,500.00	-	7.85	0
31-May-22	7.72% Maharashtra SDL 2034	2,000.00	98.78	7.88	0
31-May-22	8.28% Rajasthan SDL 2038	1,000.00	104.16	7.82	0
31-May-22	7.90% Rajasthan SDL 2042	1,500.00	-	7.9	0

Table M7: Details of T-Bills Auctions

Date	91 day T-Bill			182 day T-Bill			364 day T-Bill		
	Amt (₹Cr)	Price (₹)	YTM (%)	Amt (₹Cr)	Price (₹)	YTM (%)	Amt (₹Cr)	Price (₹)	YTM (%)
04-May-22	16,150	99.01	4.029	13,000	97.84	4.4325	8,000	95.4	4.8351
11-May-22	14,300	98.78	4.9538	12,000	97.35	5.4592	8,680	94.42	5.9249
18-May-22	15,850	98.79	4.9127	13,000	97.36	5.43	8,000	94.43	5.92
25-May-22	21,250	98.8	4.8869	14,200	97.36	5.4294	8,000	94.43	5.91
Total	67550			52200			32680		

Table M8: Average T-Bills Cut-off Yields (%)

	May-22	Apr-22	3 Months ago	6 Months ago	Year ago
91-day T-Bill	4.6956	3.9469	3.7862	3.56	3.3706
182-day T-Bill	5.1878	4.3763	4.2873	3.8369	3.5749
364-day T-Bill	5.6475	4.7518	4.5853	4.0978	3.7229

Secondary Market

Trading activity in the secondary g-sec market remained muted; with decline in average daily trades and volume in the outright market by 2% and 15% respectively in May compared to previous month. In absolute terms, average number of trades stood at 3,306 amounting to ₹41,293 crore as against 3,388 trades worth ₹48,491 crore in April 2022. The share of government securities in total outright volume is on the rise. It has been increasing from 64% (March) and 73% (April) to 80% in May; while SDLs and T-Bills constituted 5% and 14% respectively. The top

three traded government securities during the month were 6.54% GS 2032, 6.67% GS 2035 and 5.74% GS 2026.

With RBI auctioning new government securities, When-Issued market has witnessed some traction since the beginning of FY23. In May, the market saw 15 trades of newly issued "7.54% G.S. 2036" being traded amounting to ₹120 crore.

Focussing on the settlement side, CCIL settled an average of ₹41,604 crore in May as compared to ₹48,352 crore in previous week, marking m-o-m decline of 14%.

Market Overview

Yield Movement

10-year weighted average yield for the month scaled 25 bps to 7.34% following RBI's decision to hike policy rate and CRR in an off-cycle policy meet, upward revision in inflation forecast for the financial year, calibrated withdrawal of accommodation to ensure inflation remains within the target and expectations of steeper rise in the repo rate in the next policy announcement.

Benchmark yield which was at 7.12% at the beginning of the month, zoomed past 7.45% to touch 3-year high on May 9 tracking change in policy rate and sticky international crude oil prices at higher level. After easing to 7.23% till May 12 on media reports stating RBI may step in with an open

market operation to control the recent rise in yields, yields continued its upward journey persistently to close the month at 7.44%.

Apart from RBI actions, higher-than-anticipated CPI and WPI readings, rising US treasury yields and international developments having adverse effect on oil prices like the European Union moving closer towards imposing an import ban on Russian crude and improvement in COVID situation in China suggesting significant demand recovery in near future had affected bond yields' upward trajectory.

The yields of various tenors on the last working day of the month and the spread analysis of various tenors over a period of time are given in the following tables.

Table M9: Yield Movements (%)*					
Tenor	May-22	Apr-22	3 Months ago	6 Months ago	Year ago
O/N	4.27	3.93	3.43	3.41	3.39
3 month	4.9105	4.0533	3.803	3.5052	3.4117
6 month	5.447	4.3869	4.2094	3.8303	3.5696
1 year	5.8446	4.8626	4.5398	4.1962	3.7929
2 year	6.5009	5.7075	4.9411	4.742	4.3349
5 year	7.2356	6.8302	6.164	5.7596	5.7277
10 year	7.4379	7.154	6.8024	6.4065	6.2084
30 year	7.6741	7.4179	7.1016	6.9146	6.9022

Table M10: Spread Analysis					
Period	G-Sec Spread (bps)				
	May-22	Apr-22	3 Months	6 Months	1 Year
1 - 5 Years	139	197	162	156	193
1 - 10 Years	162	234	226	221	242
5 - 10 Years	23	37	64	65	48
10 - 30 Years	21	22	30	51	69

Market Overview

Foreign Exchange Market

Indian currency remained volatile against USD with frequent bouts of appreciation and depreciation in May. Rupee strengthened by 35 paise against USD at the beginning of the month to ₹76.09/dollar after

RBI announced a surprise 40 bps increase in repo rate following an off-cyclical policy meeting. Global weakness in greenback and dollar selling by some banks on behalf of overseas investors for investment in the initial public offering of Life Insurance Corp of India helped the sentiments.

Table M11: Exchange Rate Movement

	₹ / Euro	₹/ Pound	₹/ 100 yen	₹ / Dollar
Movement (%)	-3.72	-2	-3.55	-1.61
Average Rate	81.81	96.31	60.02	77.32
Stdev	1.05	1.21	0.89	0.48
Max	83.49	98.11	61.21	77.7
Min	80.36	94.46	58.65	76.09

The rally was cut short by rising crude oil prices in the global market, weakening risk appetite of investors on renewed concerns over growth and inflation after lockdowns in China and continued Russia-Ukraine conflict as well as strong dollar in the overseas market. Rupee touched an all-time low of ₹77.70 per dollar on May 19.

The very next day, i.e. on May 20, rupee bounced

back with an appreciation of 12 paise after China cut key lending benchmark to support a slowing economy. Between May 20 and May 31, rupee fluctuated between 77.59 and 77.66 level tracking oil price and dollar index movements. Easing of COVID-19 restriction in major cities of China and strong Euro allowed rupee to move in a narrow range.

Table M12: Exchange Rate Movement

Exchange Rate	May-22	Apr-22	3 Months ago	6 Months ago	Year ago
₹ / Euro	83.41	80.58	84.26	84.94	88.42
₹ / Pound	97.87	95.71	100.92	99.99	102.87
₹ / 100 yen	60.73	58.66	65.34	66.34	66.08
₹ / Dollar	77.66	76.42	75.49	75.09	72.52

Banks were seen selling dollars for forward delivery in anticipation of narrowing of interest rate between India and US as central banks from both the countries are taking aggressive steps to control rising inflation. This pulled forward premia down across maturities in May with sharper fall at the

shorter end of the curve. Though entire curve shifted downward, the difference between 12M and 1M forward premia turned positive after a gap of two months.

Market Overview

Table M13: Movement of Forward Premia over a period of time (monthly average)					
	May-22	Apr-22	3 Months ago	6 Months ago	Year ago
1-month	3.62	4.03	3.95	3.85	6.24
3-month	3.7	3.94	4.54	4	5.73
6-month	3.7	3.9	4.29	4.74	5.45
9-month	3.74	3.87	4.22	4.76	5.25
12-month	3.94	3.94	4.16	4.74	5.24

Gross foreign direct investment inflows (includes FDI equity, reinvested earnings, equity capital of unincorporated bodies and other capital) in FY22 hit a record \$83.57 billion despite military operation in Ukraine and COVID-19 pandemic. FDI (equity) inflows into manufacturing surged 76% last fiscal to \$21.3 billion, far exceeding the pace of the rise in overall FDI, despite the pandemic blues. Singapore remained the top FDI source with a share of 27%, followed by the US (18%) and Mauritius (16%) in FY22. The computer software and hardware segment has emerged as the top recipient of FDI equity inflows in FY22, with a 25% share, followed by the services sector (12%) and automobiles (12%).

Capital outflow from Indian financial assets by FIIs continued for the eight month in a row. Except for the "net investment in Debt-VRR" where they remained net buyers of \$1.17 billion, FIIs sold heavily in all the other instruments. M-o-m pull out from equities and debt segments increased from \$2.24 billion and \$0.58 billion in April to \$5.18 billion and \$0.72 billion in May. FIIs have been turning away from investing in developing nations due to risk aversion post Russia-Ukraine war, risk of economic slowdown in China following COVID-related lockdown in its major cities and hike in interest rate by US making dollar assets more attractive.

Table M14: Movement of FII flows USD Mn					
Quarter	Net Investment in Equity	Net Investment in Debt	Net Investment in Debt-VRR	Net Investment in Hybrid	Total
2017-18	4399.52	18625.66	-	3.21	23028.39
2018-19	-96.85	-6203.74	-	505.25	-5795.34
2019-20	1244.31	-6470.5	1002.43	1095.7	-3128.06
2020-21	36819.87	-5835.05	4478.52	1357.99	36821.33
2021-22	-18551.38	309.32	1742.4	473.99	-16025.67
Apr-22	-2236.23	-578.57	-154.91	8.99	-2960.72
May-22	-5178.19	-715.24	1171.68	-7.98	-4729.73

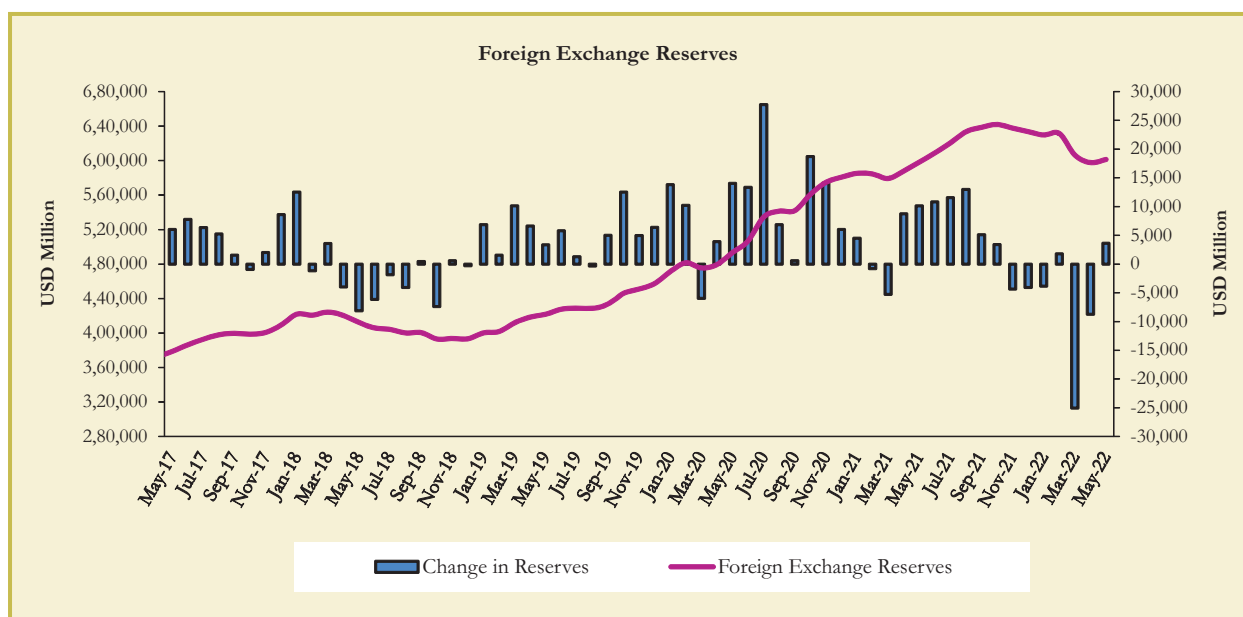
As per the RBI monthly bulletin, RBI reversed its position in spot market with net purchase of \$1.97 billion in April as compared to net selling of \$20.10 billion in previous month. Its net outstanding

forward dollar purchases stood at \$63.86 billion vis-à-vis \$65.79 billion in March.

After falling below \$600 billion mark in April, accumulation of foreign exchange reserves regained

the level and touched \$601.36 billion at the end of May 2022. Higher reserves were entirely because of

the change in foreign currency assets which grew by \$4.17 billion to \$536.99 billion on a monthly basis.



Banking Sector

Apart from credit segment, other banking business indicators witnessed marginal decline over the previous month. Y-o-y recovery, however, has remained intact with credit off-take clocking double digit growth while growth in money stock and deposits not far behind. Investment in G-Sec is the

only activity where growth has remained tepid at 5.32%. Since growth in credit outpaced growth in deposit, credit-deposit ratio grew from 71.91% in April to 72.57% in May. Repo rate hike by RBI had affected MCLR and term deposit rates.

Table M15: Trends in Scheduled Commercial Banks' Business (₹ Cr)					
	May-22	Apr-22	3 Months ago	6 Months ago	Year ago
Money Stock	20680442	20847676	20183236	19646589	18933423
Aggregate Deposits	16574213	16623975	16217430	15779059	15166808
Non-food Credit	11974051	11912088	11558783	11079831	10742926
Investment in G-Secs	4775251	4779125	4669167	4582873	4534245
Bank credit	12027305	11954640	11627008	11162247	10833589

Table M16: Key Banking Rates and Ratios (%)		
	May-22	Apr-22
Credit-Deposit Ratio	72.57	71.91
Investment-Deposit Ratio	28.82	28.75
Base Rate	7.25/8.80	7.25/8.80
MCLR (Overnight)	6.60/7.00	6.50/7.00
Term Deposit Rate >1 Year	5.00/5.75	5.00/5.60
Savings Deposit Rate	2.70/3.00	2.70/3.00