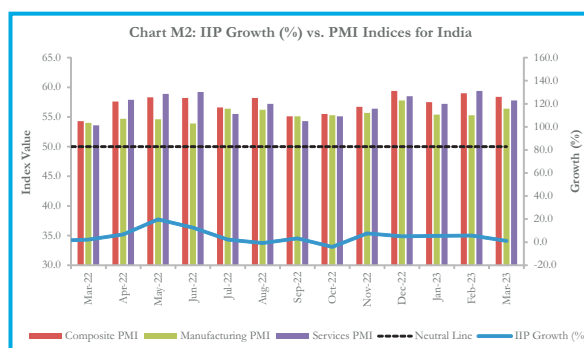
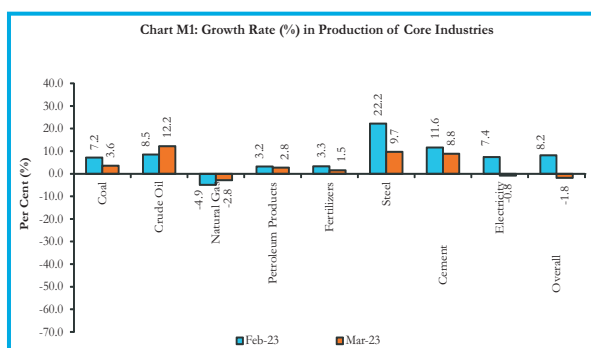


Market Roundup

Domestic Macroeconomic Development

Growth in domestic core industries decelerated in March 2023 due to base effects, with the headline index growing by 3.6% (vs. 7.2% in February). Core industries had grown by 4.8% in March 2022. Coal production registered the highest growth in March 2023 (12.2% vs. 8.5% in February 2023), followed by fertilizer (9.7% vs. 22.2%) and steel production (8.8% vs. 11.6%), respectively. Three out of eight core industries production contracted during March, with crude oil (-2.9%) experiencing the deepest contraction.



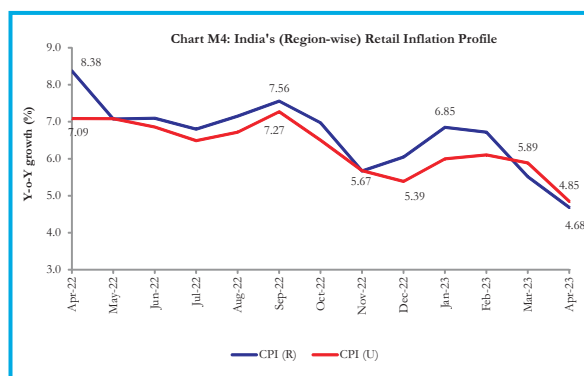
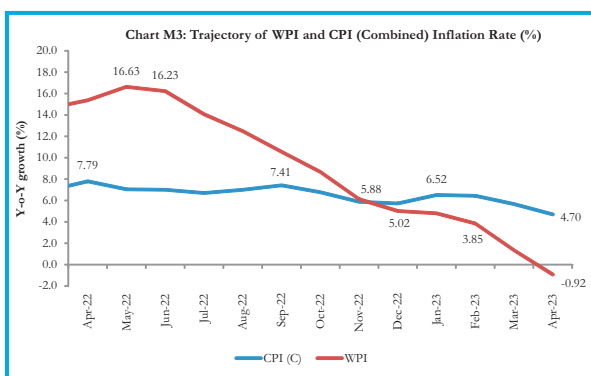
Source: Office of Economic Adviser, MOSPI, Standard & Poor's & CCIL Research

Growth in industrial production surprisingly contracted in March 2023, after four months of consecutive growth. Headline index declined by 3.1%, following a growth of 12.1% in February 2023. There was a significant contraction in electricity generation (-1.6% vs. 8.2%), while growth in manufacturing also decelerated (0.5% vs. 5.6%). Within the use-based segment, growth in consumer durables (-8.4% vs. -4.1%) and non-durables (-3.1% vs. -12.1%) continued to contract, although there was an improvement in the demand for non-durables. Growth in production of infrastructure goods (5.4% vs. 8.4%) and capital goods (8.1% vs. 10.5%) also experienced marginal deceleration, compared to the previous month.

Table M1: 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
Mar-22	3.88	1.4	6.11	2.2	5.66	2.38	1.75	6.67	-3.08	-4.39
Apr-22	8.36	5.62	11.78	6.66	10.28	12.03	7.09	3.96	7.16	-0.79
May-22	11.17	20.72	23.47	19.72	17.83	53.31	17.51	18.38	59.08	1.4
Jun-22	7.77	12.87	16.44	12.62	13.81	28.57	10.47	9.35	25.17	2.89
Jul-22	-3.35	3.05	2.27	2.21	2.49	5.09	3.69	4.78	2.27	-2.88
Aug-22	-3.86	-0.45	1.38	-0.68	1.73	4.28	1.31	3.03	-4.44	-9.04
Sep-22	5.15	2.05	11.61	3.32	9.55	11.36	1.68	8.21	-5.5	-5.7
Oct-22	2.55	-5.79	1.2	-4.07	2.1	-2.9	-2.31	1.69	-18.07	-12.96
Nov-22	9.75	6.67	12.71	7.58	4.82	20.71	3.54	14.28	4.97	10.01
Dec-22	10.13	3.65	10.4	5.12	8.45	7.75	1.52	10.97	-11.18	7.92
Jan-23	8.81	4.02	12.68	5.46	9.6	10.75	0.52	9.82	-8.19	6.35
Feb-23	4.79	5.62	8.21	5.78	6.88	10.48	0.7	8.42	-4.07	12.14
Mar-23	6.79	0.48	-1.57	1.14	3.26	8.14	1.02	5.43	-8.38	-3.13

Source: MOSPI & CCIL Research

Consumer price inflation or retail inflation in India decelerated to 4.70% in April 2023, from 5.7% in the previous month. This was the lowest inflation since November 2021. Double-digit inflation continued to persist for cereals & products (13.7% vs. 15.3%) and spices (17.4% vs. 18.2%), while increasing for personal care & effects (9% vs. 8.3%). Deflation was observed in oils & fats (-12.3% vs. -7.9%), vegetables (-6.5% vs. -8.5%) and meat & fish (-1.2% vs. -1.4%). Inflation in consumer food price index (CFPI), representing aggregate food basket, also decelerated to 3.8%, from 4.8% in the previous month. Urban inflation remained above rural inflation for the second consecutive month (4.9% vs. 4.7%).



Source: Office of Economic Adviser, MOSPI, Standard & Poor's & CCIL Research

Wholesale price inflation (WPI) declined to the lowest level since June 2020, contracting by -0.9% in April 2023, from 1.3% in March. Inflation in manufactured products contracted the most (-2.4% vs. -0.8%), followed by core inflation (-1.8% vs. -0.3%). Fuel inflation (0.9% vs. 9%), decelerated to the lowest level since January 2021.

Table M2: Indian Inflation (Y/Y) Rate (%) Environment						
Type	Items	Apr-23	Mar-23	Jan-23	Oct-22	Apr-22
WPI Inflation Rate (New Series)	WPI	-0.92	1.34	4.8	8.67	15.38
	Primary	1.6	2.4	4.06	11.17	15.18
	Food	3.54	5.48	2.67	8.45	8.48
	Fuel & Power	0.93	8.96	15	25.4	38.84
	Manufactured Products	-2.42	-0.77	3.06	4.42	11.39
CPI Inflation Rate	CPI-Rural	4.68	5.51	6.85	6.98	8.38
	CPI-Urban	4.85	5.89	6	6.5	7.09
	CPI-Combined	4.7	5.66	6.52	6.77	7.79
	CFPI (C)	3.84	4.79	6	7.01	8.31

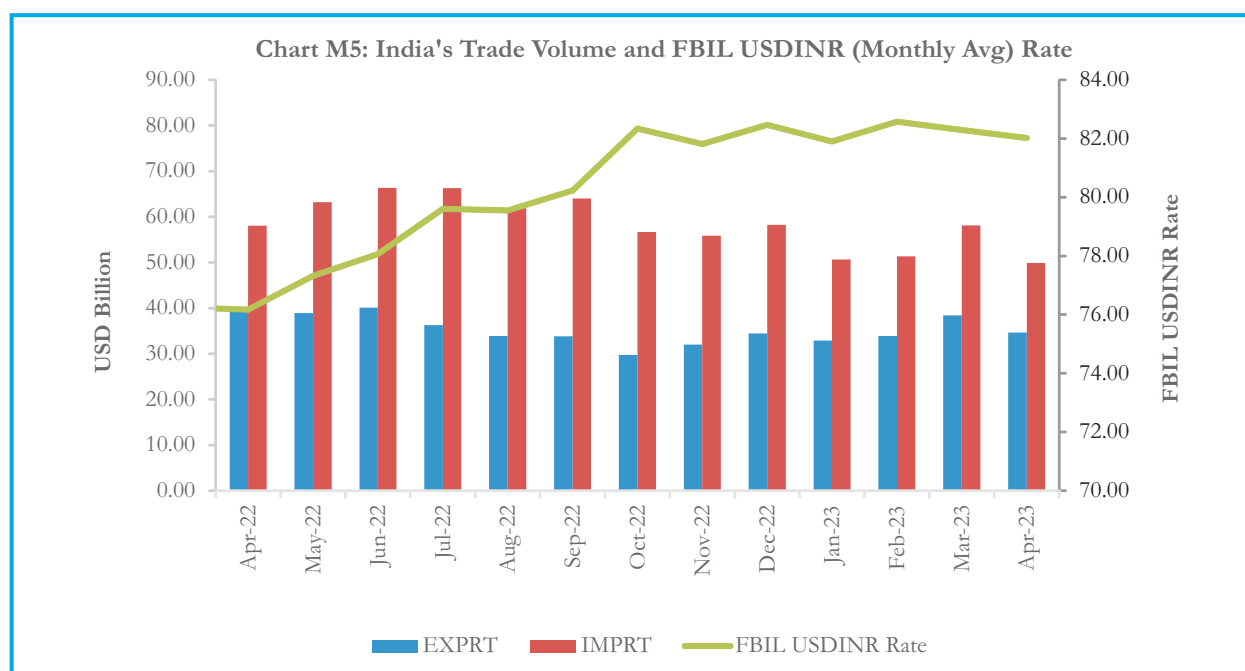
CFPI (C): Consumer Food Price Index (Combined);
Source: Office of the Economic Advisor, MOSPI & CCIL Research

India's exports amounted to US\$34.7 billion in April 2023, contracting by 12.7% Y-o-Y, from US\$38.4 billion in the previous month. Within the export segment, oil meals (95.1%), electronic goods (26.5%) and rice (24%) registered strong growth during the month, while exports of gems & jewellery (-30%), other cereals (-29.4%) and jute products (-26.9%) contracted. Services exports during April grew by 26% Y-o-Y to US\$30.4 billion.

Merchandise imports to India contracted by 14% to US\$49.9 billion during the month of April 2023. Within the import segment, pulses (52.3%), pulp & waste paper (16.3%) and electrical & non-electrical machinery (15.2%) exhibited high growth, while project goods (-73.1%), Sulphur & unroasted iron pyrites (-62%) and crude & manufactured fertilizers (-45.9%) experienced deep contraction. Consequently, merchandise trade deficit narrowed to a 20-month low of US\$15.2 billion, from US\$19.7 billion in the previous month. Services trade was in a surplus of US\$13.9 billion, higher than US\$13.7 billion observed in the previous month.

Table M3: India's Trade (Merchandise & Services) Profile								
(\$ Billion)	Merchandise Trade				Services Trade*			
Period	Exports	Imports			Trade Balance	Exports	Imports	Balance
		Oil Imports	Non-Oil Imports	Total				
2021-22	422	161.81	451.24	613.05	-191.05	254.53	147.01	107.52
2022-23	447.46	209.58	504.66	714.24	-266.78	322.72	177.94	144.78
Growth (%)	6.03	29.52	11.84	16.51	-39.64	26.79	21.04	34.65
Apr-22	39.7	17.64	40.42	58.06	-18.36	27.6	15.57	12.03
Apr-23	34.66	15.18	34.72	49.9	-15.24	30.36	16.5	13.86
Growth (%)	-12.7	-13.95	-14.1	-14.05	16.99	10	5.97	15.21

* Services Trade Data is an estimate for current month. Source: Department of Commerce & CCIL Research



Source: Ministry of Commerce, FBIL & CCIL Research

Global Macroeconomic Developments

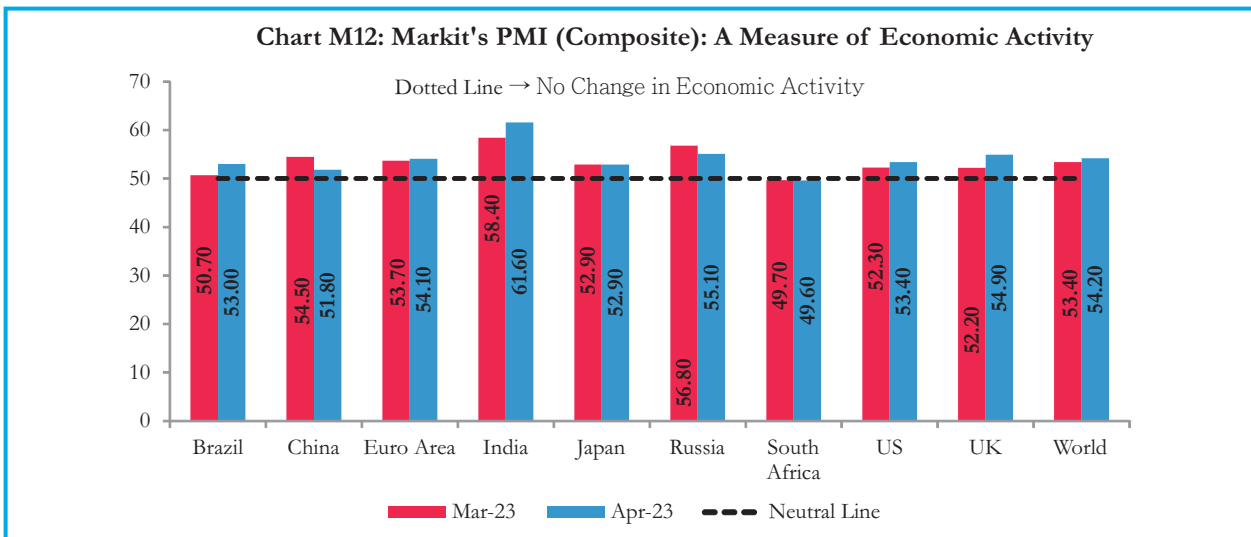
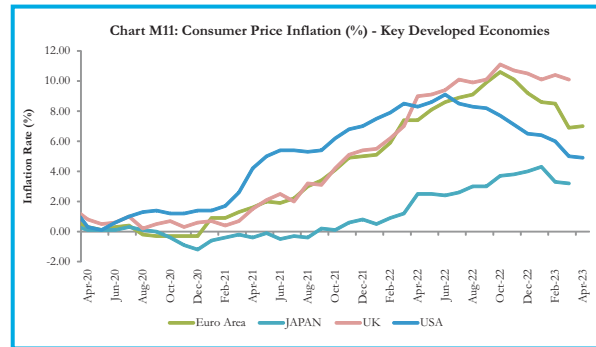
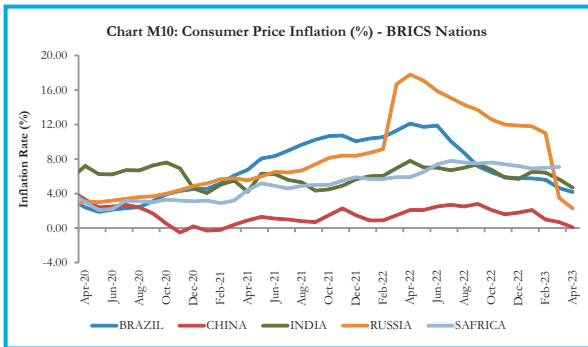
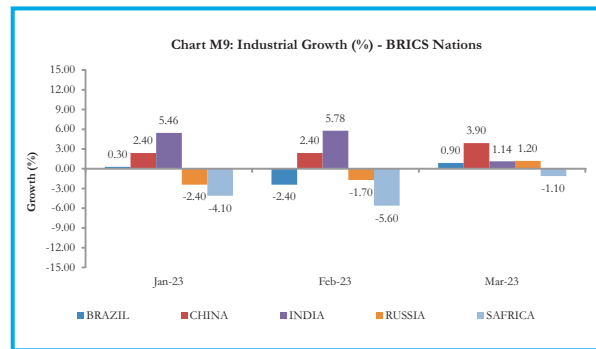
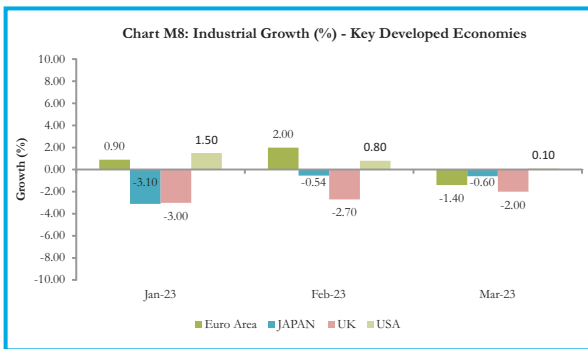
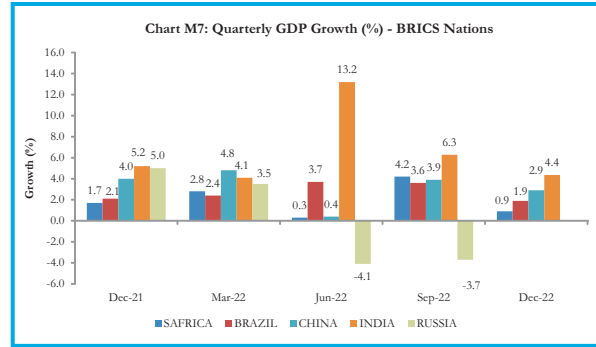
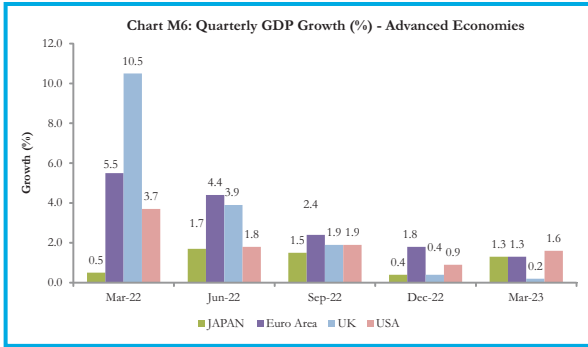
The Federal Reserve raised the Fed funds rate target range by 25 basis points (bps) to 5% - 5.25% during its May meeting. This brought the borrowing costs in the US economy to their highest level since September 2007. The Federal Open Market Committee (FOMC) also signaled that the rate hike cycle for now might be over; however, the Committee might undertake additional policy firming if deemed necessary, after taking into account several data points influencing the monetary policy. Further, tight credit conditions prevalent in the economy are likely to weigh on economic activity, hiring and inflation. Annual consumer price inflation (CPI) in the US decelerated to a two-year low of 4.9% in April 2023, from 5% in the previous month. Prices for food, energy, shelter and used vehicles declined, causing the headline index to fall. GDP growth in the first quarter of calendar year (CY) 2023 stood at 1.6% Y-o-Y, up from 0.9% in the previous quarter. Consumer and government spending boosted economic activity, along with export demand.

The European Central Bank (ECB) also raised its key policy rate by 25 bps to 3.75% in its May meeting. This brought the borrowing costs to a record high since July 2008. The ECB also decided to discontinue reinvesting cash from its matured bonds purchased under the pandemic assistance programme from July 2023 onwards. The ECB President Ms. Christine Lagarde told a news conference that the ECB has no intention to ease off the rate hike cycle anytime soon. Inflation in the Euro Area increased marginally to 7% in April 2023, from 6.9% in March, due to a rebound in cost of energy and services. GDP growth in the first quarter of CY 2023 stood at 1.3% Y-o-Y, down from 1.8% in the previous quarter. The continuous rise in prices affected private demand in the monetary union, leading to a deceleration in economic activity.

The Bank of England (BoE) raised the key policy rate (bank rate) by 25 bps to 4.5% in May 2023, bringing the borrowing costs to a record high since 2008. Policymakers indicated that they might pursue further monetary policy tightening if supporting data suggests so, although the central bank forecast inflation rates falling through 2023, and meet the 2% target by late 2024. Consumer price inflation remained at double digits, and stood at 10.1% in March 2023, vs. 10.4% in February. Upward pressure in price levels came from food, non-alcoholic beverages, recreation and culture, and miscellaneous good & services, respectively. In terms of economic activity, the UK economy expanded by 0.2% Y-o-Y in the first quarter of CY2023, decelerating from 0.6% in the previous quarter. PMI surveys for the month of April indicated that manufacturing sector remained in contraction, while services sector grew stronger.

The Bank of Japan (BoJ) maintained its key short-term interest rate at -0.1% in April, and removed its guidance with respect to the pandemic situation. The central bank also reduced its GDP outlook for FY23 to 1.4%, from 1.7% earlier, while revising its inflation outlook higher to 1.8% (from 1.6% earlier). Inflation in Japan decelerated marginally to 3.2% in March 2023, from 3.3% in the previous period, due to lower prices of food, fuel, transport and electricity. Consumer price inflation however remained at 3.1% for the reported month, same as in the previous month. Japan output grew at 1.3% Y-o-Y in the first quarter of CY23, from 0.4% observed in the previous quarter. Higher private consumption and investment growth as compared to the previous quarter, contributed to the growth. PMI surveys for April indicated towards manufacturing sector gradually recovering towards expansion, while services sector activity remained expansionary.

Macro-Economic Overview



Money Market Review

Money market rates that dropped severely at the beginning of April (decline in the range of 65-120 bps to 6.20%) on ease of year-end liquidity pressure and month end spending by the government, picked up on the day of monetary policy announcement. Despite status quo maintained by MPC, market participants were wary about the future course of action as the pause could be temporary in case inflation firms up, pushing overnight rates to 6.40%. After stabilising near 6.35% till April 13, weighted average rates in money market segments gradually increased to touch month high of 6.70%-6.80% at the end of April on cash outflows towards payments for goods and services tax and government bonds.

Market repo was the only money market instrument witnessing higher trading activity m-o-m with average volume growing considerably by 16%. On the contrary, call and TREP segments witnessed contraction in average trading volumes to the tune of 9% and 6% respectively. The change in preference towards Repo has resulted in erosion of TREP's market share below 60%.

The following tables demonstrate 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 (%)					
	Apr-23	Mar-23	3 Months ago	6 Months ago	Year ago
CALL	6.5	6.52	6.22	6.06	3.48
REPO	6.5	6.55	6.18	5.98	3.38
TREP	6.51	6.46	6.15	6.04	3.58

Table M2: Comparative Money Market Volumes and Rates												
	Gross		Daily Average		Std		Minimum		Maximum		Market Share	
	Volumes (₹ Cr)		Volumes (₹ Cr)		Dev		Rate (%)		Rate (%)		(%)	
	Apr-23	Mar-23	Apr-23	Mar-23	Apr-23	Mar-23	Apr-23	Mar-23	Apr-23	Mar-23	Apr-23	Mar-23
CALL	2,16,182	2,79,939	12,717	13,997	0.17	0.25	6.26	6.31	6.78	7.37	2.46	2.73
REPO	33,17,277	33,61,185	1,95,134	1,68,059	0.17	0.29	6.15	6.27	6.73	7.41	37.69	32.75
TREP	52,69,130	66,22,280	3,09,949	3,31,114	0.21	0.23	6.23	6.18	6.78	6.92	59.86	64.52

Systemic Liquidity

Based on evolving domestic and global scenarios, Monetary Policy Committee in its first meeting of FY23-24, decided to keep policy rate unchanged at 6.50% with the preparedness to act if situation warrants. Consequently, the standing deposit facility (SDF) rate stayed unchanged at 6.25% and the marginal standing facility (MSF) rate and the Bank Rate at 6.75%. The benchmark rate was kept unchanged for MPC members to access the impact of rate hikes on various economic factors and the changing inflation outlook. RBI governor

clarified that the decision to be considered as a "comma" in its fight to bring inflation within the medium term target rather than a "full stop".

Average liquidity support provided by RBI through MSF stood at ₹8,262 crore - 84% higher than previous month and 236% above the February level. Outflows on account of different payments in the form of excise duty, GST, various auctions reduced surplus liquidity available with banks. Thus, average lending of surplus cash by banks to RBI using SDF declined by 11% to ₹84,249 crore. Liquidity crunch was more evident during the last week of April when average MSF amount was close to ₹26,000 crore.

RBI, which showed its readiness to provide much-needed liquidity support to banks through auctions of variable rate repo auctions in March, was back with variable rate reverse repo auctions. In April, RBI sucked a whopping sum of ₹1.45 lakh crore through 13-day and 15-day VRRR instruments.

Table M3: Liquidity Operation through SDF and MSF Amt. ₹ Crore				
	SDF Volume		MSF Volume	
	Apr-23	Mar-23	Apr-23	Mar-23
Total Vol	22,61,968	30,70,150	1,98,299	1,30,501
Average Vol	94,249	1,05,867	8,262	4,500

Government Securities Market

Primary Market

In April, the Central government borrowed ₹1,13,000 crore through re-issuances of dated securities with the average cut-off yield at 7.25% - significantly lower than previous year's average. Also, RBI issued 3 new securities for ₹23,000 crore having shorter maturities. On April 6, it issued 2028 bond for ₹8,000 with 7.06% of coupon and on April 13, it issued 2026 bond (for ₹8,000 crore having coupon of 6.99%) and 2030 bond (for ₹7,000 crore with 7.17% coupon). The commission asked by primary dealers to underwrite government bond auctions marginally declined towards the last auction of the month. RBI conducted switch auction for government securities after a gap of two months on April 17, under which it partially converted near term securities' outstanding into longer term dated securities.

Only 9 states tapped the primary market to raise a sum of ₹22,300 crore at an average yield of 7.53%. Andhra Pradesh was the highest borrowing state having share of 27%; followed by Rajasthan (20%) and Maharashtra (13%).

Borrowing by government through auctions of treasury bills declined by 18% to ₹1,62,160 crore with average cut-off yields across instruments witnessing downfall compared to previous month. Moderation in cut-off rates was more prominent for 182-DTB and 364-DTB (around 27 bps) than for 91-DTB as market participants expect interest rates in the economy to come down in future as inflation softens.

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-Apr-23	7.06% G.S. 2028	8,000.00	-	7.06	0	0.44
06-Apr-23	7.26% G.S. 2033	14,000.00	100.31	7.2133	0	0.5
06-Apr-23	7.36% G.S. 2052	11,000.00	100.15	7.3468	0	0.88
13-Apr-23	6.99% G.S. 2026	8,000.00	-	6.99	0	0.25
13-Apr-23	7.17% G.S. 2030	7,000.00	-	7.17	0	0.34
13-Apr-23	7.41% G.S. 2036	12,000.00	100.46	7.3543	0	0.47
13-Apr-23	7.40% G.S. 2062	12,000.00	100.2	7.3836	0	0.84
21-Apr-23	7.06% G.S. 2028	8,000.00	100.07	7.042	0	0.32
21-Apr-23	7.26% G.S. 2033	14,000.00	100.43	7.1958	0	0.42
21-Apr-23	7.36% G.S. 2052	11,000.00	99.82	7.3741	0	0.63
28-Apr-23	7.17% G.S. 2030	7,000.00	100.45	7.0861	0	0.28
28-Apr-23	7.41% G.S. 2036	12,000.00	101.6	7.2221	0	0.32
28-Apr-23	7.40% G.S. 2062	12,000.00	101.58	7.2768	0	0.44

Table M5: Details of SWITCH Auction of Government Securities						
Date of Switch	Source Security	Total amount of source security accepted (₹ Cr)	Destination Security	Total amount of destination security issued (₹ Cr)	Cut-off price/yield for destination security	Net Switch (₹ Cr)
17-Apr-23	FRB 2024	2000	8.32% G.S. 2032	1858.08	107.06/7.2592	-141.92
17-Apr-23	7.72% G.S. 2025	500	8.28% G.S. 2032	476.3	106.53/7.2623	-23.7
17-Apr-23	8.20% G.S. 2025	1500	7.06% G.S. 2046	1592.3	96.81/7.3469	92.3
17-Apr-23	5.74% G.S. 2026	1500	5.85% G.S. 2030	1561.18	92.13/7.2088	61.18

Table M6: Details of SDL Auctions/Re-issues						
Date of Issue/ Auction	Security	Amount (₹ Crore)	Cut-off Price (₹)	Yield (%)	Under-subscription	
05-Apr-23	7.60% Andhra Pradesh SDL 2029	1,000.00	-	7.6	0	
05-Apr-23	7.70% Andhra Pradesh SDL 2032	1,000.00	-	7.7	0	
05-Apr-23	7.71% Andhra Pradesh SDL 2033	1,000.00	-	7.71	0	
11-Apr-23	7.36% Maharashtra SDL 2028	1,500.00	-	7.36	0	
11-Apr-23	7.49% Maharashtra SDL 2030	1,500.00	-	7.49	0	
11-Apr-23	7.58% Assam SDL 2033	1,000.00	-	7.58	0	
11-Apr-23	7.58% Nagaland SDL 2033	300	-	7.58	0	
11-Apr-23	7.59% Punjab SDL 2033	1,500.00	-	7.59	0	

Table M6: Details of SDL Auctions/Re-issues					
Date of Issue/ Auction	Security	Amount (₹ Crore)	Cut-off Price (₹)	Yield (%)	Under- subscription
18-Apr-23	7.50% Haryana SDL 2030	1,000.00	-	7.5	0
18-Apr-23	7.56% Rajasthan SDL 2033	1,500.00	-	7.56	0
18-Apr-23	7.62% Punjab SDL 2038	1,000.00	-	7.62	0
18-Apr-23	7.61% Rajasthan SDL 2043	1,500.00	-	7.61	0
18-Apr-23	7.61% Telangana SDL 2044	1,000.00	-	7.61	0
18-Apr-23	7.59% Rajasthan SDL 2048	1,500.00	-	7.59	0
25-Apr-23	7.39% Haryana SDL 2029	1,000.00	-	7.39	0
25-Apr-23	7.38% Gujarat SDL 2030	1,000.00	-	7.38	0
25-Apr-23	7.41% Andhra Pradesh SDL 2030	1,000.00	-	7.41	0
25-Apr-23	7.43% Andhra Pradesh SDL 2031	1,000.00	-	7.43	0
25-Apr-23	7.43% Telangana SDL 2033	1,000.00	-	7.43	0
25-Apr-23	7.47% Andhra Pradesh SDL 2037	1,000.00	-	7.47	0

Table M7: Details of T-Bills Auctions									
Date	91 day T-Bill			182 day T-Bill			364 day T-Bill		
	Amt (₹)	Price (₹)	YTM (%)	Amt (₹)	Price (₹)	YTM (%)	Amt (₹)	Price (₹)	YTM (%)
05-Apr-23	12,700	98.3	6.9192	22,314	96.54	7.1797	8,150	93.28	7.2187
12-Apr-23	17,000	98.35	6.73	12,000	96.64	6.9796	8,000	93.46	7.0197
19-Apr-23	21,500	98.34	6.7764	13,971	96.65	6.9513	8,000	93.47	7.0094
26-Apr-23	12,724	98.33	6.8225	13,500	96.64	6.9723	12,300	93.47	7.004
Total	63924			61785.76			36450.49		

Table M8: Average T-Bills Cut-off Yields (%)					
	Apr-23	Mar-23	3 Months ago	6 Months ago	Year ago
91-day T-Bill	6.812	6.8752	6.4108	6.2871	3.9469
182-day T-Bill	7.0207	7.2917	6.8121	6.706	4.3763
364-day T-Bill	7.063	7.3443	6.9087	6.9166	4.7518

Secondary Market

Transactions in secondary outright market have been witnessing buoyancy since the beginning of 2023 with pace increasing with every passing month. Softer inflation readings, pause in the rate hike cycle by RBI and slower pace of rate tightening globally has led to optimism in the G-Sec market. As against March, average number of trades and amount traded were 39% and 35% higher at 4,651 and ₹66,624 crore respectively. The

figures are highly encouraging when compared with December 2022 data marking growth of 70% and 104% respectively. The share of government securities in total trading improved further to 78%, followed by treasury bills (15%) and SDLs (7%). 7.26% GS 2032, 7.26% GS 2033 and 7.41% GS 2036 maintained the top-3 spots for the most traded government securities for the month.

The average outright volumes settled by CCIL observed sharp turnaround and expanded by 43% m-o-m to ₹68,156 crore in April. The amount settled in March had stood at ₹47,604 crore.

Yield Movement

Comfortable liquidity, prospects of moderation in inflation in months to come and expectations of elongated pause in rate hike cycle eased average benchmark yield for the month by 17 bps to 7.20% vis-à-vis 7.37% in previous month.

10-year yield which was at 7.33% at the beginning of the month eased throughout to touch 7.11% at the end of it. Various domestic and global factors played role in the benchmark yield movement. Back home, events like decision by MPC to maintain status quo in rate tightening cycle, marginal upward revision in growth forecast and moderation in inflation in FY24 by MPC, decline in CPI and WPI based inflation to multi-month low and an anticipation of rate cut towards the third or fourth quarter of currency fiscal year pulled the benchmark yield down. Along with these, steady decline in global crude oil prices, lesser job openings in the US and caution ahead of US Federal Open Market Committee's decision in the first week of May were also responsible for the lower yields which were at 12-months low.

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 as under.

Table M9: Yield Movements (%)*					
Tenor	Apr-23	Mar-23	3 Months ago	6 Months ago	Year ago
O/N	6.9	7.79	6.5	6.25	3.93
3 month	6.804	6.88	6.462	6.3695	4.0533
6 month	6.9436	7.1029	6.7505	6.6478	4.3869
1 year	6.9433	7.1334	6.9328	6.878	4.8626
2 year	6.9031	7.0803	7.0343	7.1302	5.7075
5 year	7.0211	7.1966	7.2693	7.3922	6.8302
10 year	7.1485	7.3031	7.3833	7.4367	7.154
30 year	7.2633	7.384	7.4483	7.56	7.4179

Yield spreads across different tenor pairs has shown marginal up-tick as compared to March 2023 due to quicker easing of yields at a shorter end of the curve on steady policy rate in April meet. Uncertain inflation outlook led slower downward movement in yields for longer term dated securities.

Table M10: Spread Analysis					
Period	G-Sec Spread (bps)				
	Apr-23	Mar-23	3 Months	6 Months	1 Year
1 - 5 Years	8	6	34	51	197
1 - 10 Years	21	18	46	58	234
5 - 10 Years	13	12	12	7	37
10 - 30 Years	11	7	6	10	22

Foreign Exchange Market

Indian currency bounced back against USD as well as other major international currencies in April. It appreciated against Japanese Yen and USD by 2.04% and 0.73% respectively. Against the Euro and GBP, the rupee depreciated by 1.17% and 0.78% respectively, and its performance was better than the previous month.

Table M11: Exchange Rate Movement				
	₹ / Euro	₹/ Pound	₹/ 100 yen	₹ / Dollar
Movement (%)	-1.17	-0.78	2.04	0.73
Average Rate	89.87	101.98	61.36	82.02
Stdev	0.39	0.31	0.52	0.17
Max	90.52	102.61	62.49	82.39
Min	89.05	101.24	60.36	81.65

Volatility in USD/INR exchange rate has stabilised over couple of months. In April as well, rupee oscillated in a narrow range of 82.39/dollar - 81.65/dollar following resilient equity market, lower commodity prices and declining crude oil prices. First week of April saw rupee strengthening by 0.48 paise to 81.91/dollar on expectations of slower rate hike by US Federal Reserve due weak US economic data and following announcement of steps by RBI to promote onshore non-deliverable forward markets. The central bank has proposed to permit banks with International Financial Services Centre Banking Units to offer non-deliverable foreign exchange derivative contracts involving Indian rupee to resident users in the onshore market to deepen the foreign exchange market in India and provide enhanced flexibility to residents in meeting their hedging requirements.

However, dollar buying by banks on behalf of oil companies due to volatile crude price and hawkish comments by Federal Reserve officials regarding at least another hike of 25 bps in May pushed dollar index higher affecting USD/INR exchange rate. It weakened rupee by 25 paise to 82.16/dollar. Supported by easing crude oil prices on fear of recession in US, resilient domestic equity markets and selling of USD by banks, rupee rebounded strongly to close the month at the level of 81.70/dollar.

Table M12: Exchange Rate Movement					
Exchange Rate	Apr-23	Mar-23	3 Months ago	6 Months ago	Year ago
₹/ Euro	90.09	89.61	88.6	81.92	80.58
₹/ Pound	102.03	101.87	100.9	95.54	95.71
₹/ 100 yen	60.36	61.8	62.77	55.74	58.66
₹/ Dollar	81.78	82.22	81.74	82.39	76.42

Sharp moderation in dollar/rupee forward premia rate at the shorter end can be observed in April as 1M rate eased by 106 bps to 1.88%, distantly followed by 3M rate at 1.99% (lower by 45 bps). The downward shift in forward premia curve was because of the lower interest rate differential between India and US following pause in rate hike cycle by RBI and climbing US Treasury yields as investors continued to factor in a 25 bps rate hike by the US Federal Reserve at its May policy meeting. Decline in consumer confidence in US and moderation in inflation had contrasting impact on 1Y forward premia rate which improved by 3 bps compared to previous month.

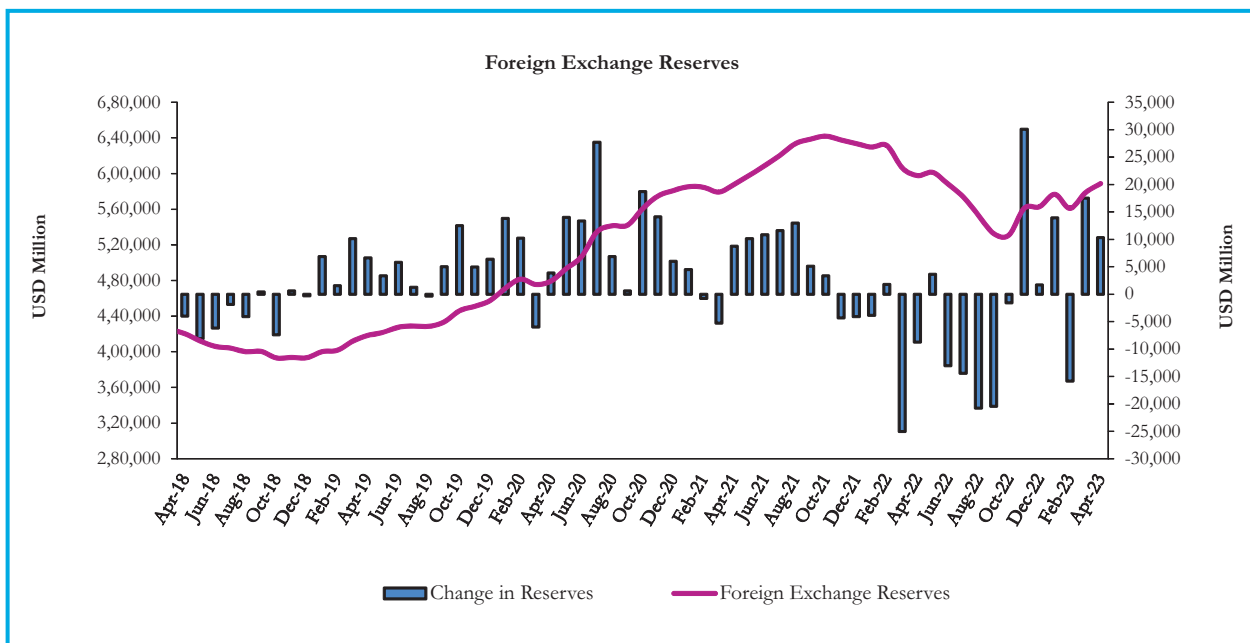
Table M13: Movement of Forward Premia over a period of time (monthly average)					
	Apr-23	Mar-23	3 Months ago	6 Months ago	Year ago
1-month	1.88	2.94	1.9	3.32	4.03
3-month	1.99	2.43	2.55	3.07	3.94
6-month	2.12	2.32	2.34	2.97	3.9
9-month	2.21	2.31	2.27	2.73	3.87
12-month	2.34	2.3	2.23	2.64	3.94

Capital inflows by FIIs through domestic financial instruments touched a 5-month high of \$1.65 billion in April vis-à-vis \$0.71 billion in March. The investment was broad-based as they remained net buyers across different categories of instruments except hybrid ones. They bought equities worth \$1.42 billion which was also at 5-month high. Net purchase of debt along with debt-VRR instruments touched \$0.25 billion in April compared to net sell-off amounting to \$0.40 billion previous month in this category. Strong economic fundamentals and stable exchange rate has resulted in the reversal of trend at the beginning of the new financial year.

Table M14: Movement of FII flows (USD Million)					
Quarter	Net Investment in Equity	Net Investment in Debt	Net Investment in Debt-VRR	Net Investment in Hybrid	Total
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
2022-23	-5114.16	-1136.68	765.76	-25.1	-5510.18
Apr-23	1419.83	98.94	151.16	-15.37	1654.56

According to RBI Bulletin data, central bank was, yet again, seen buying foreign currency in the spot market amounting to \$0.25 billion in February versus \$0.38 billion worth of its sale in January. Outstanding net forward dollar purchases, after nearly doubling in January to \$21.73 billion, declined marginally to \$20.47 billion in February.

Monthly accretion to India's foreign exchange reserves surged by \$10.33 billion in April taking the tally to 11-month high of \$588.78 billion. This was on account of changes in foreign currency revaluation and an increase in gold reserves. Higher FII investment and market intervention by RBI through dollar buying with rupee remaining stable against USD have also contributed to the significant rise in foreign exchange reserve in past 6 months. From November 2022 till date, foreign exchange reserves have moved up by \$57.70 billion with February being an exception when reserves had fallen by \$15.82 billion.



Banking Sector

All the banking business indicators have clocked positive m-o-m growth of 1% to 2% in April. This time growth in deposits out-paced credit off-take resulting in moderate decline in credit-deposit ratio. From a year ago period, non-food credit maintained its golden run by improving 16% primarily due to the improved credit off-take to services sector and agriculture. Retail loans (especially personal loans) were one of the major contributors to the overall bank credit growth. Investment in G-Sec was higher by 14%, while aggregate deposit grew by 10%.

Table M15: Trends in Scheduled Commercial Banks' Business (₹ Cr)					
	Apr-23	Mar-23	3 Months ago	6 Months ago	Year ago
Money Stock	22682193	22333020	21894248	21301561	20847676
Aggregate Deposits	18311580	18043706	17718901	17203536	16623975
Non-food Credit	13836379	13655322	13291496	12863462	11912088
Investment in G-Secs	5444912	5414322	5193777	5055064	4779125
Bank credit	13857671	13675228	13341662	12889117	11954640

Table M16: Key Banking Rates and Ratios (%)		
	Apr-23	Mar-23
Credit-Deposit Ratio	75.68	75.79
Investment-Deposit Ratio	29.74	30.01
Base Rate	8.75/10.10	8.65/10.10
MCLR (Overnight)	7.90/8.50	7.50/8.50
Term Deposit Rate >1 Year	6.00/7.25	6.00/7.25
Savings Deposit Rate	2.70/3.00	2.70/3.00