



CareEdge

# ► Forex & Debt Market Update

June 2024

# ≡ Forex Market

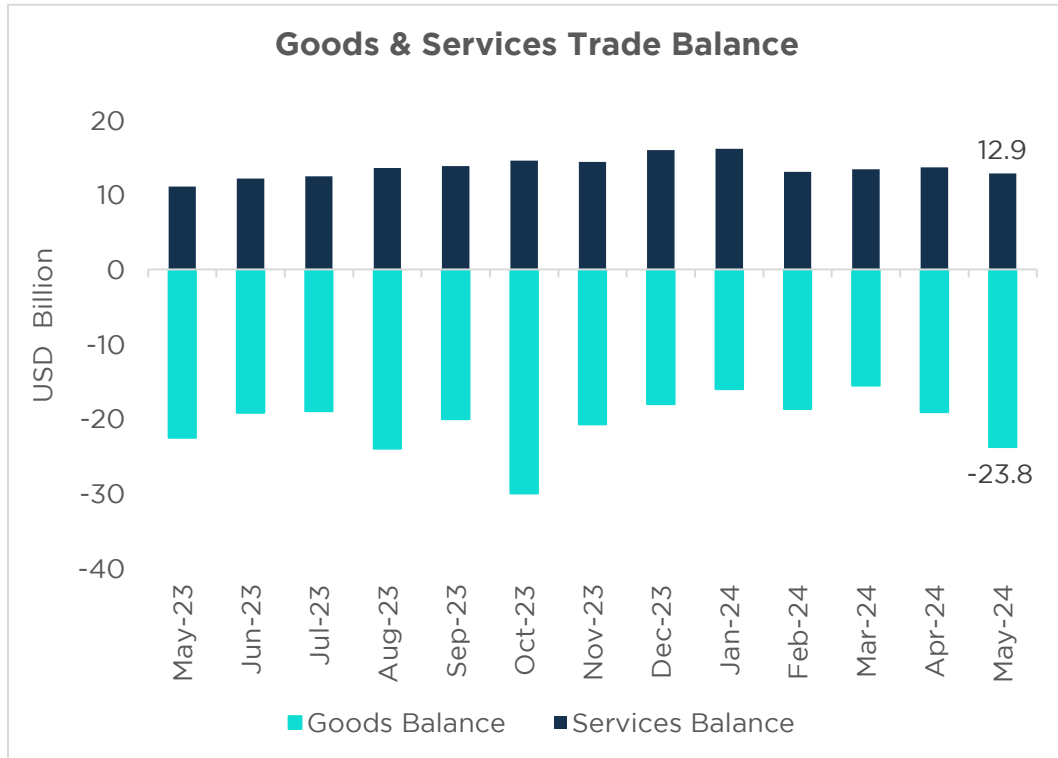
# Current Account Deficit Narrows to 0.7% of GDP in FY24

Balance of Payments (USD Billion unless specified otherwise)					
	FY20	FY21	FY22	FY23	FY24
Current Account (% of GDP)	-0.9	0.9	-1.2	-2.0	-0.7
Current Account	-24.7	23.9	-38.8	-67.1	-23.3
Merchandise Trade	-157.5	-102.2	-189.5	-265.3	-242.1
Invisibles	132.8	126.1	150.7	198.2	218.8
Services	84.9	88.6	107.5	143.3	162.8
Transfers	75.2	73.5	80.4	100.9	105.8
Income	-27.3	-36.0	-37.3	-45.9	-49.8
Capital Account	83.2	63.7	85.8	58.9	86.3
Foreign Investments	44.4	80.1	21.8	22.8	53.9
FDI	43.0	44.0	38.6	28.0	9.8
FPI	1.4	36.1	-16.8	-5.2	44.1
Loans	25.7	6.9	33.6	8.3	1.7
Banking Capital	-5.3	-21.1	6.7	21.0	40.5
Other Capital	18.5	-2.1	23.8	6.9	-9.8
Overall Balance	59.5	87.3	47.5	-9.1	63.7

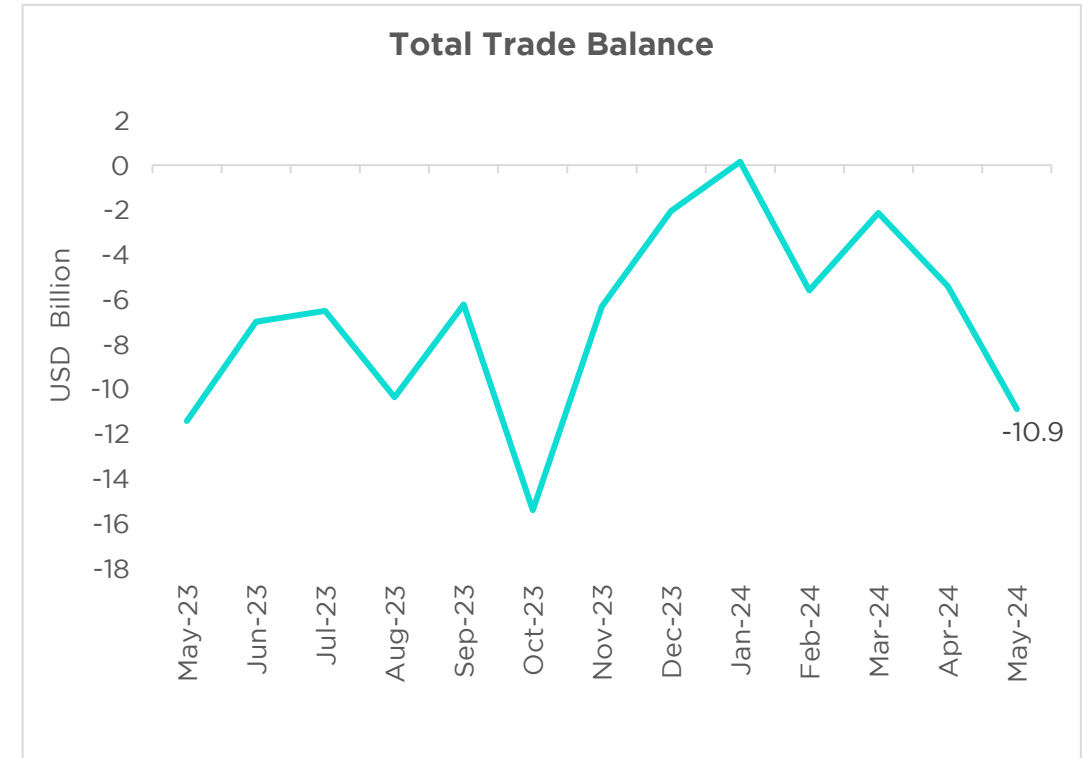
Source: CMIE.

- CAD improved to USD 23 bn in FY24 from USD 67 bn in FY23.
- Lower trade deficit & higher invisible receipts supported CAD.
- Capital account surplus increased 46% YoY to USD 86.3 bn in FY24.
- FPI inflows increased to USD 44 bn from outflows of USD 5 bn in FY23.
- Banking capital inflows increased by 93% YoY to USD 41 bn in FY24.
- However, net FDI fell by 65% YoY to USD 10 bn in FY24.
- Overall balance of payments (BoP) recorded a surplus of USD 64 bn in FY24 compared to a deficit of USD 9 bn in FY23.
- We expect CAD to be around 1% of GDP in FY25 and BoP to remain in surplus.

# Total Trade Balance Widens in May



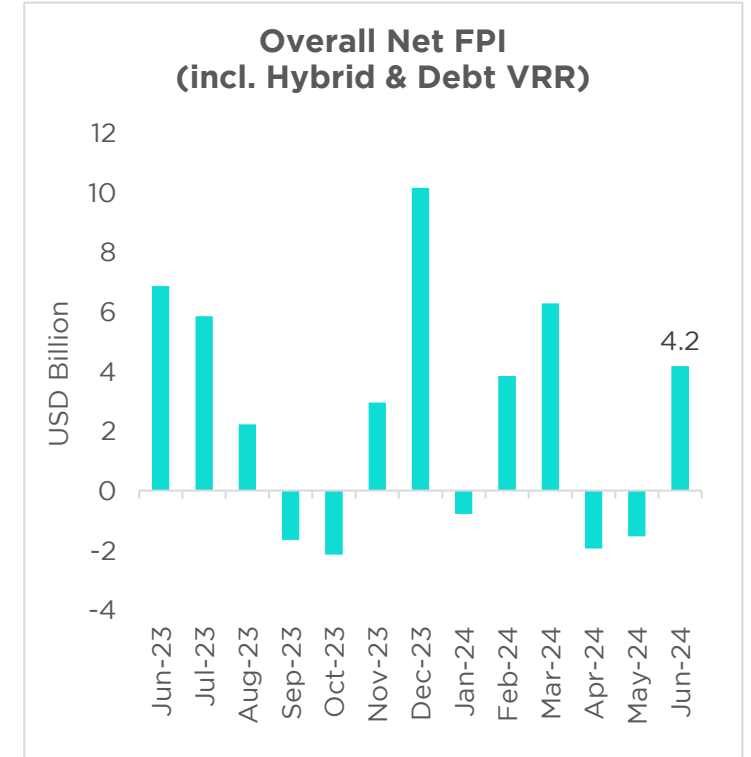
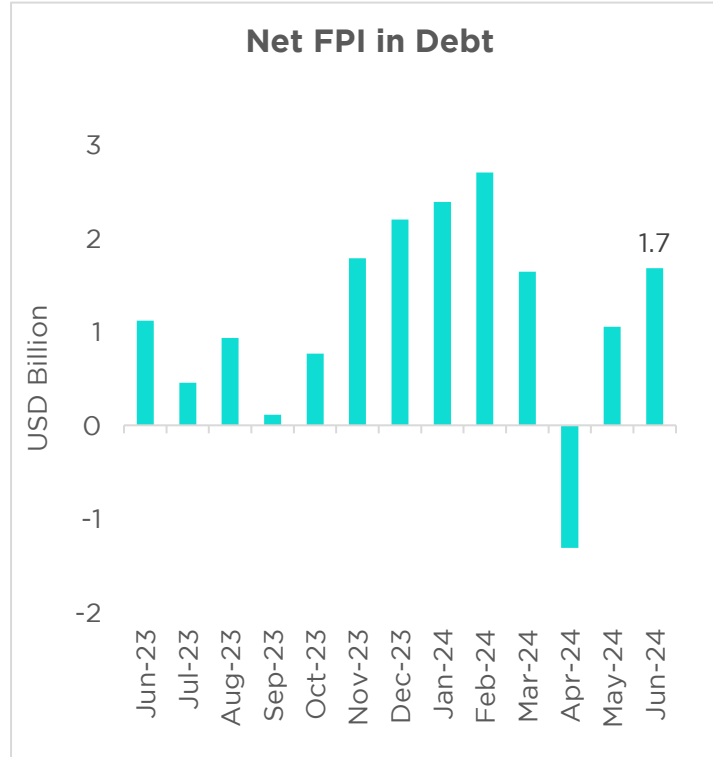
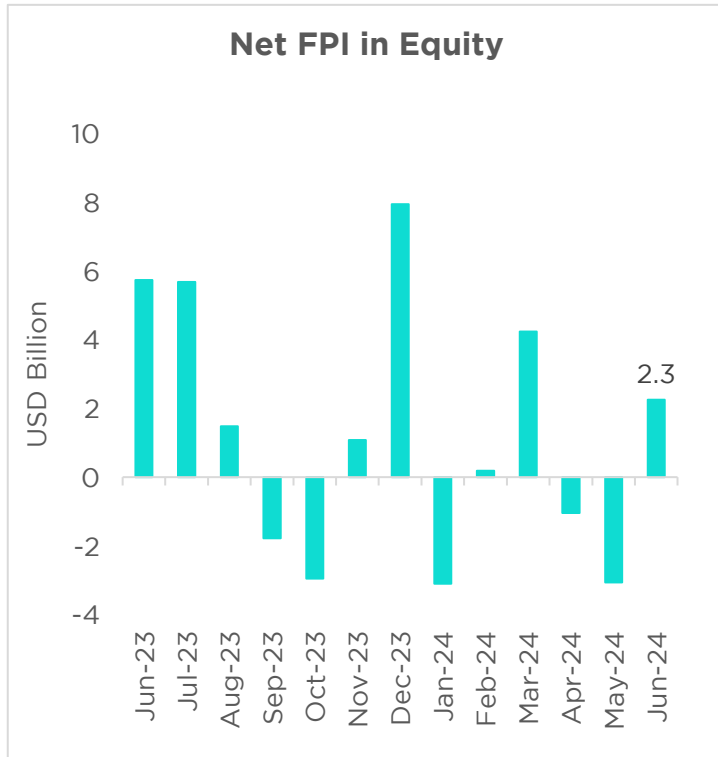
Source: CMIE.



Source: CMIE. Note: Total Trade Balance = Goods Balance + Services Balance.

- Services surplus reduced to USD 12.9 bn in May from USD 13.7 in Apr. Services payments rose 3.9% MoM while services receipts contracted 0.6% MoM.
- Goods deficit widened to USD 23.8 bn in May from USD 19.1 bn in Apr. Exports grew 9% MoM while imports rose 14% MoM.
- Goods deficit widened largely due to higher imports of crude oil and petroleum products, which rose 21% MoM.

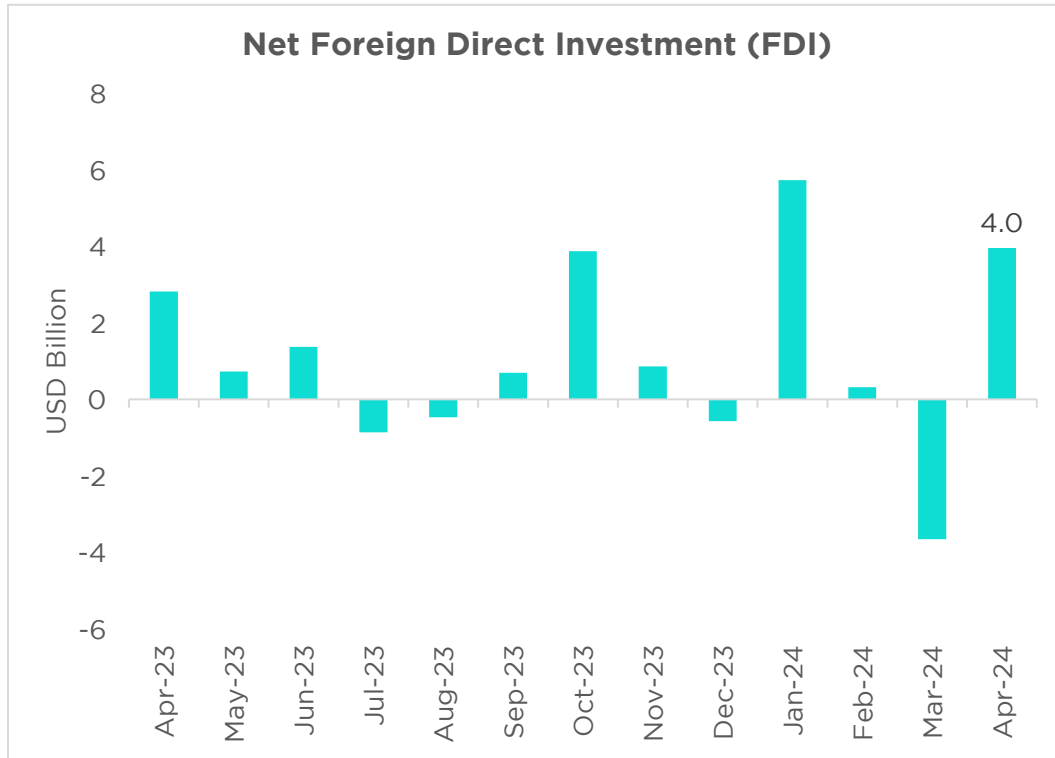
# FPIs Turn Net Buyers in June



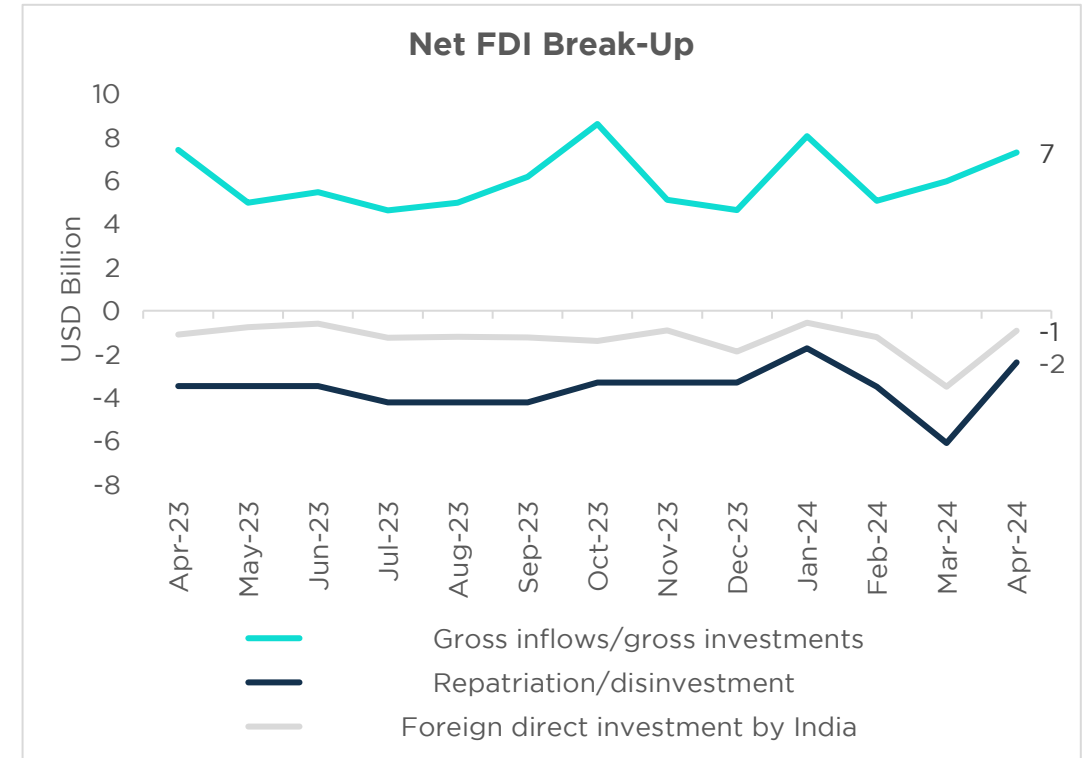
Sources: CMIE, NSDL. Data as on Jun 27.

- FPIs were net equity buyers in Jun (as on Jun 27) after selling for two consecutive months.
- Net FPI inflows in debt increased in Jun (as on Jun 27) ahead of inclusion of Indian sovereign bonds in JP Morgan bond index on Jun 28.
- India's bond index inclusion is expected to attract USD 2 bn worth of inflows per month up to March 2025.

# Net FDI Increased



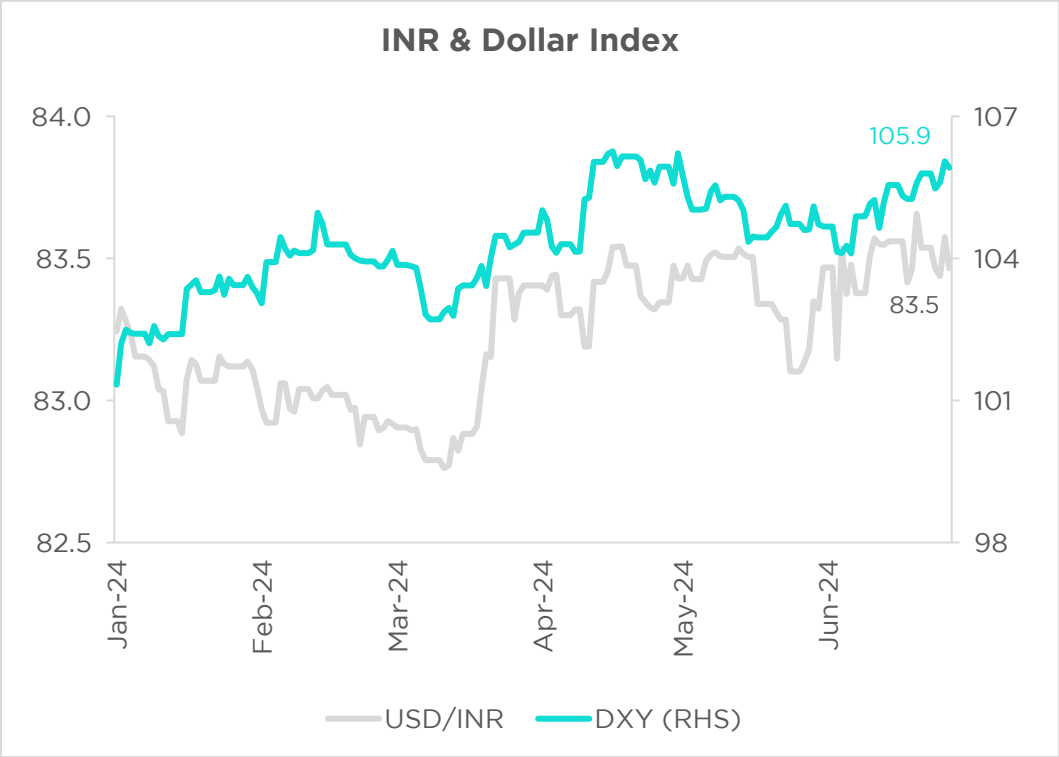
Source: CMIE.



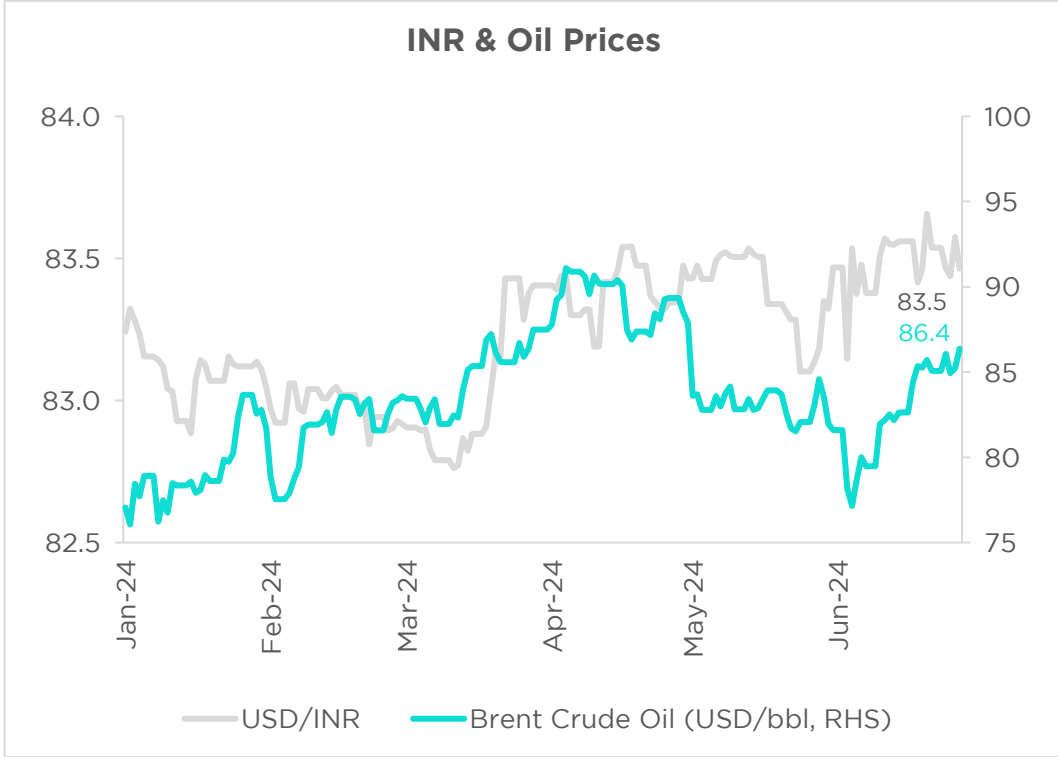
Source: CMIE.

- Net FDI increased to USD 4 bn in Apr from outflow of USD 3.7 bn in Mar and was 40% higher YoY.
- Gross inflows increased to USD 7 bn in Apr from USD 6 bn in Mar.
- Repatriation/disinvestment & outward FDI moderated in Apr.

# Strong Dollar & Higher Crude Oil Prices Weighing on Rupee...



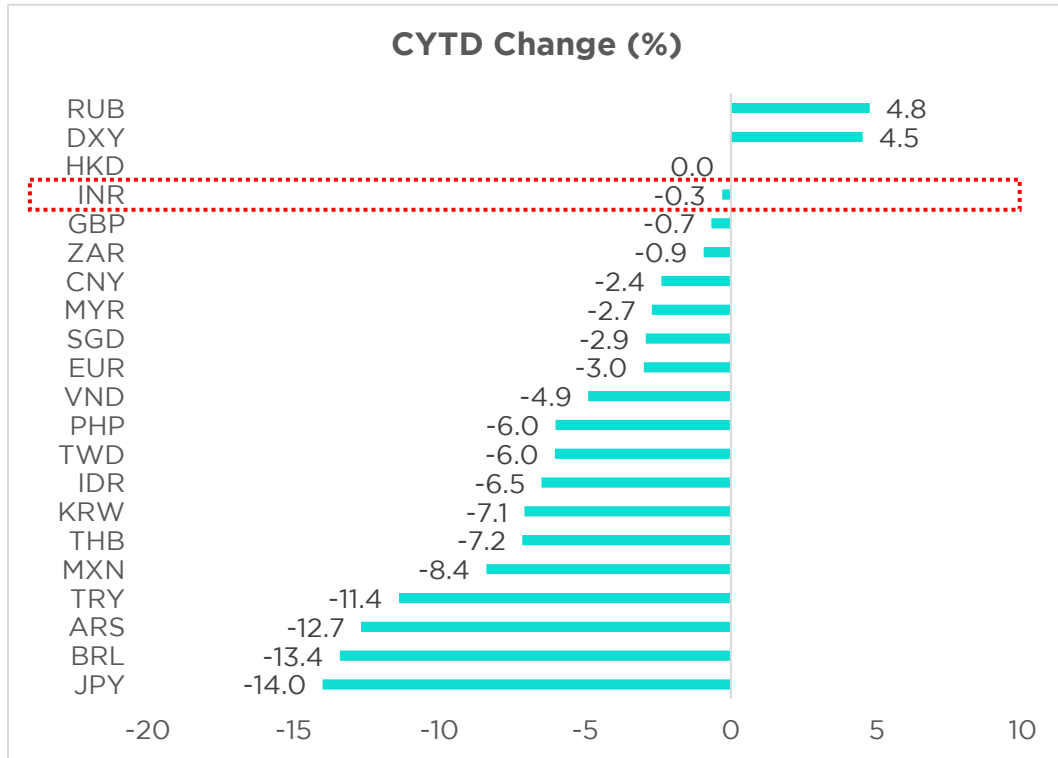
Source: Refinitiv. Data as on Jun 27.



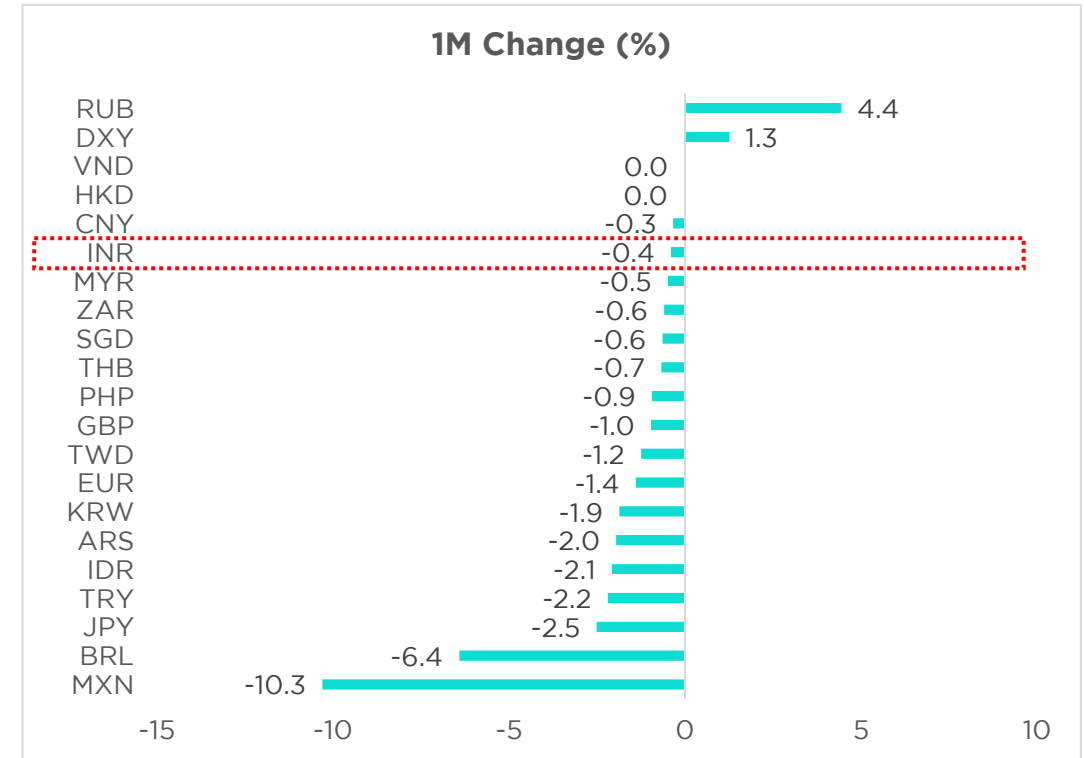
Source: Refinitiv. Data as on Jun 27.

- Dollar index strengthened 1.3% in Jun mainly due to weakening in EUR and JPY.
- Brent crude oil prices increased 6% in Jun amidst rising geopolitical tensions (Middle East & Russia-Ukraine).

# ...However, Rupee Exhibits Low Volatility Relative to Peers



Source: Refinitiv. Note: (1) Positive values imply currency strengthened (2) Currency performance is against USD (3) Data as on Jun 27.



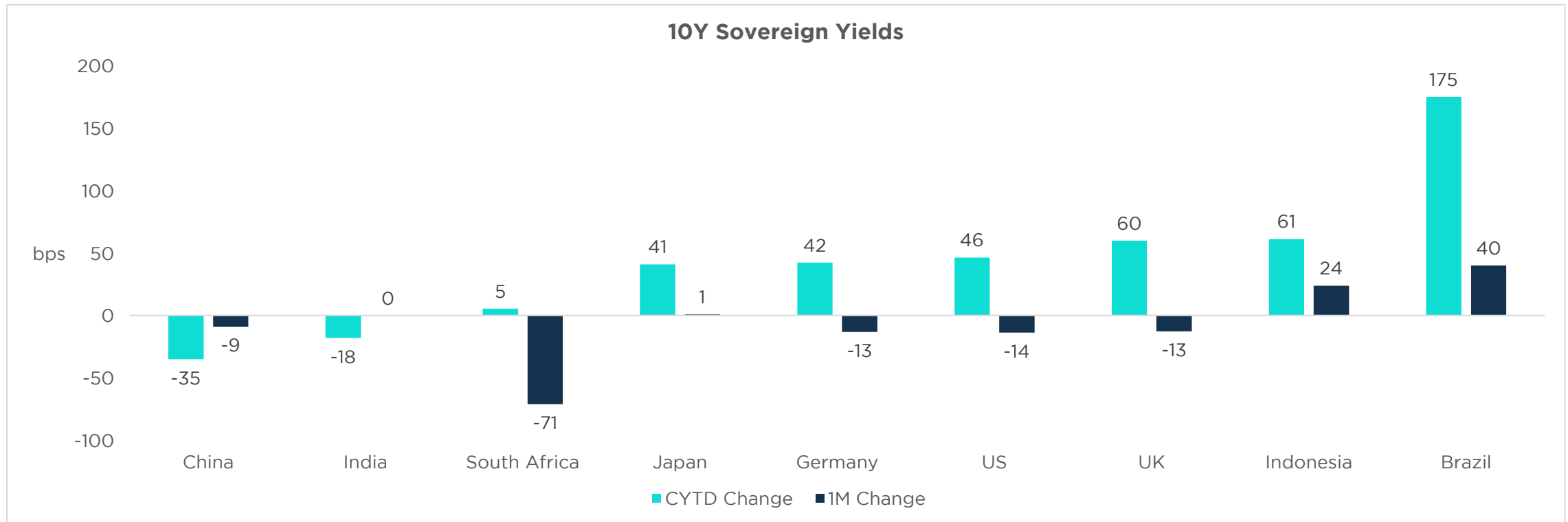
Source: Refinitiv. Note: (1) Positive values imply currency strengthened (2) Currency performance is against USD (3) Data as on Jun 27.

- CNY depreciated 2.4% CYTD amidst monetary policy divergence with Fed and weak fixing by PBoC.
- Rupee depreciated 0.3% CYTD against the dollar.
- USD/INR likely to trade between 83-83.70 in near term. Expected FPI inflows should support INR while RBI intervention should limit any appreciation.



# ≡ Debt Market

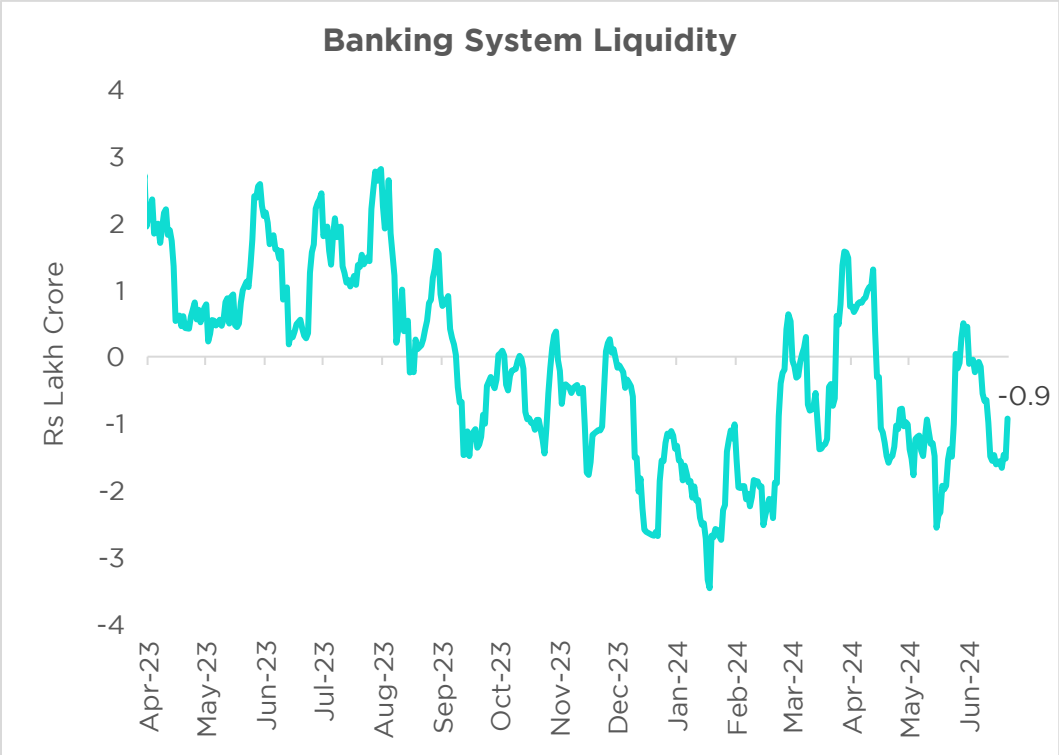
# India 10Y Yield Stable Over Last Month



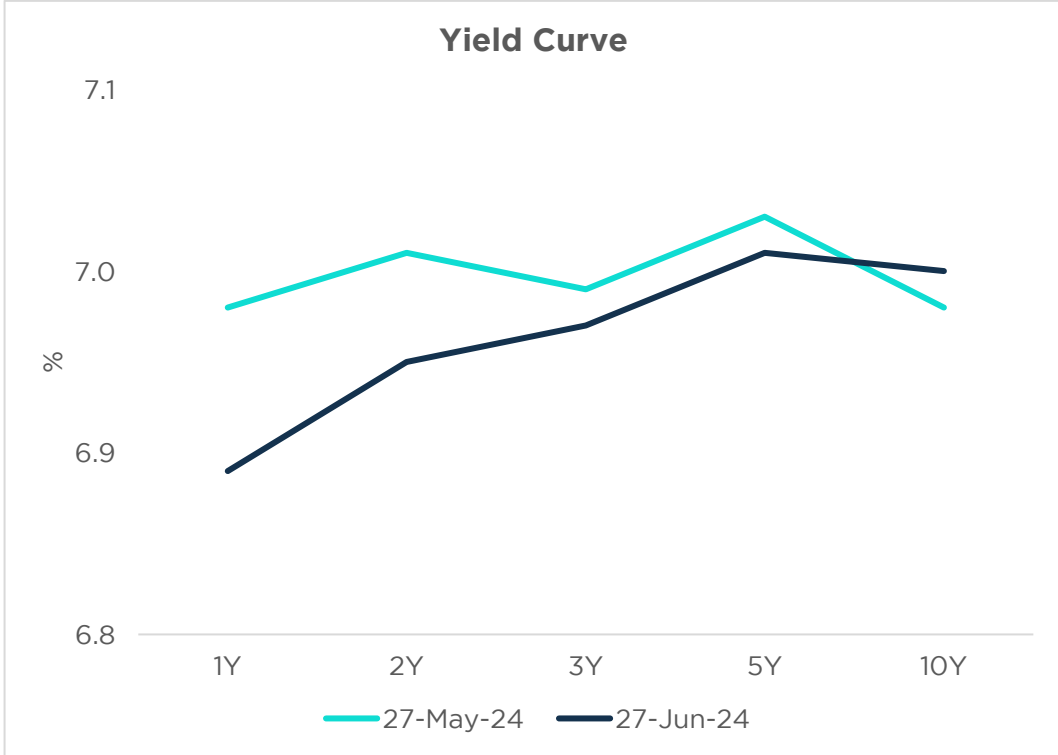
Source: Refinitiv. Note: Data as on Jun 26.

- UST yields moderated in Jun as data pointed towards easing inflationary pressures. Market expects 25bps Fed rate cuts in Sep and Dec.
- India 10Y yield likely to trade between 6.90-7.05% in near-term aided by FPI inflows.
- FY25 Union Budget in Jul will be a key event for bond markets.

# Liquidity in Deficit; Segments of Yield Curve Move Downwards



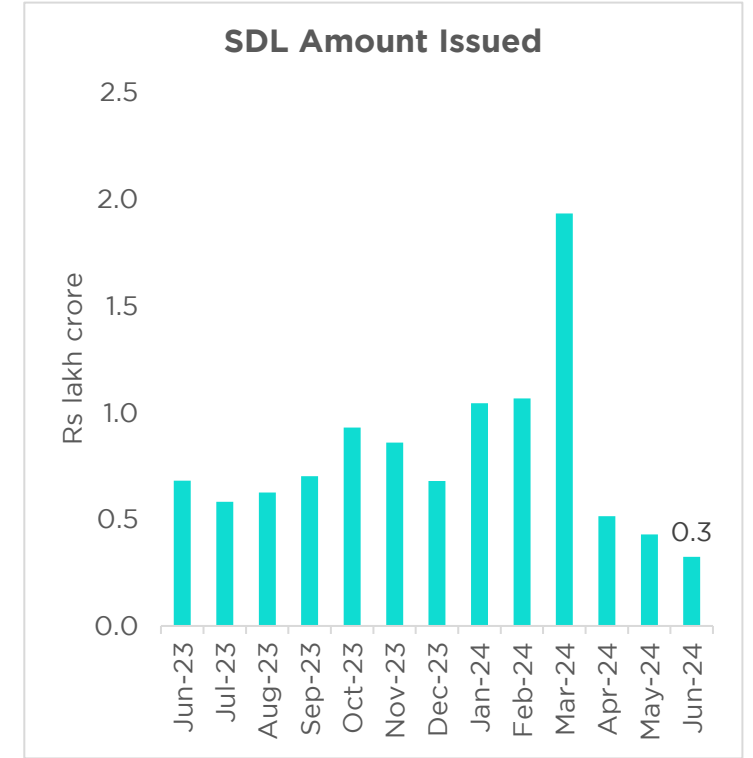
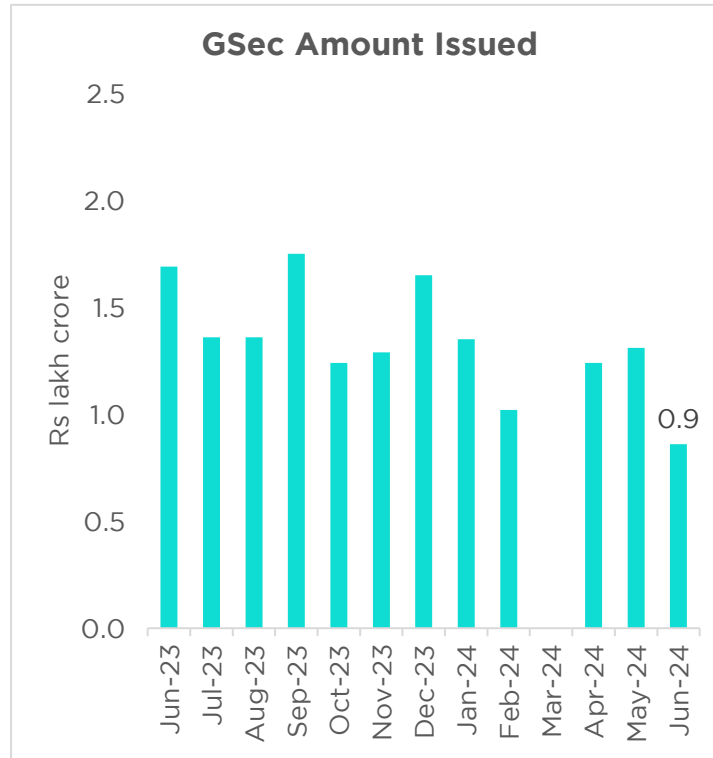
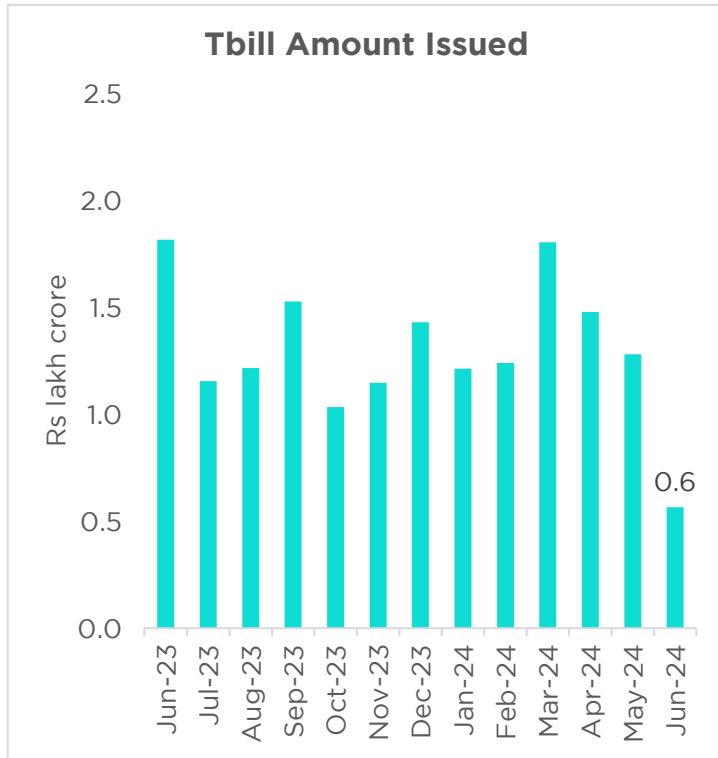
Source: CEIC. Note: (1) Negative values denote liquidity deficit. (2) Data is for month-end and latest data is for Jun 27.



Source: Refinitiv.

- RBI has been conducting VRR auctions to manage liquidity conditions effectively. FPI inflows should help ease liquidity conditions.

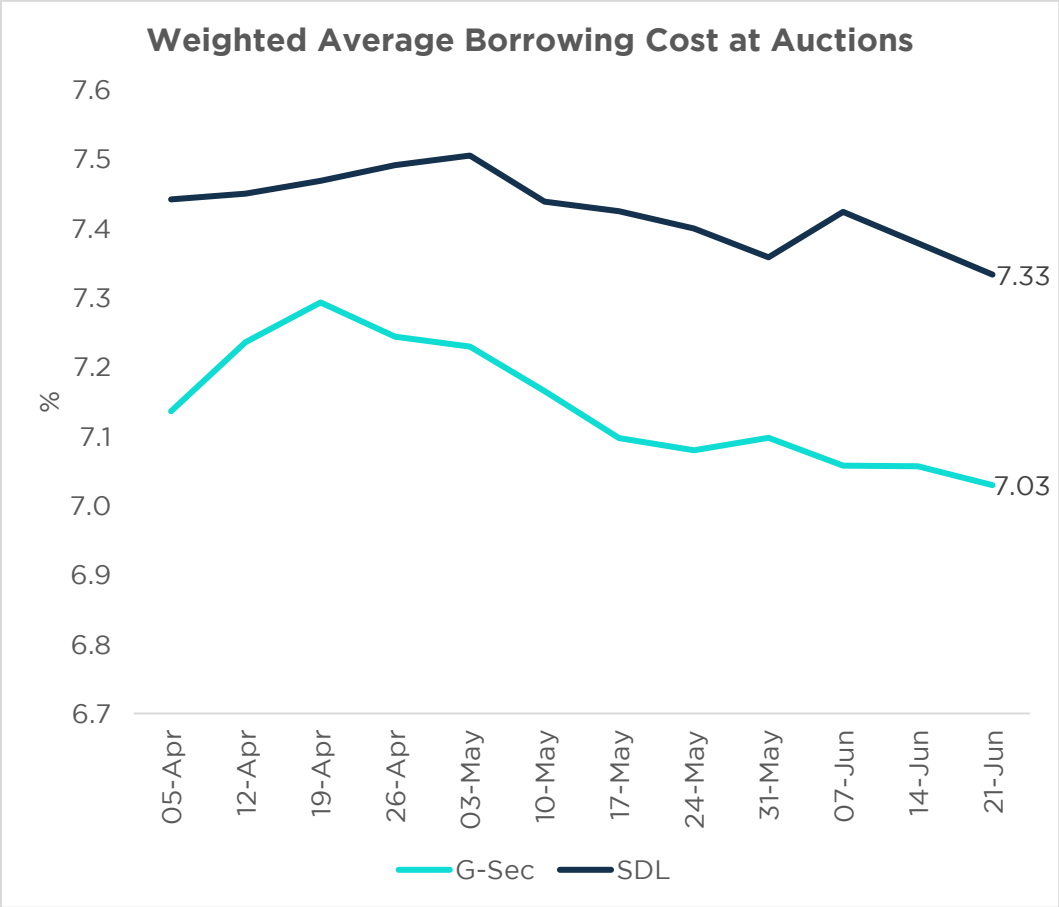
# States Borrowed Only 50% of Calendar Amount in FYTD



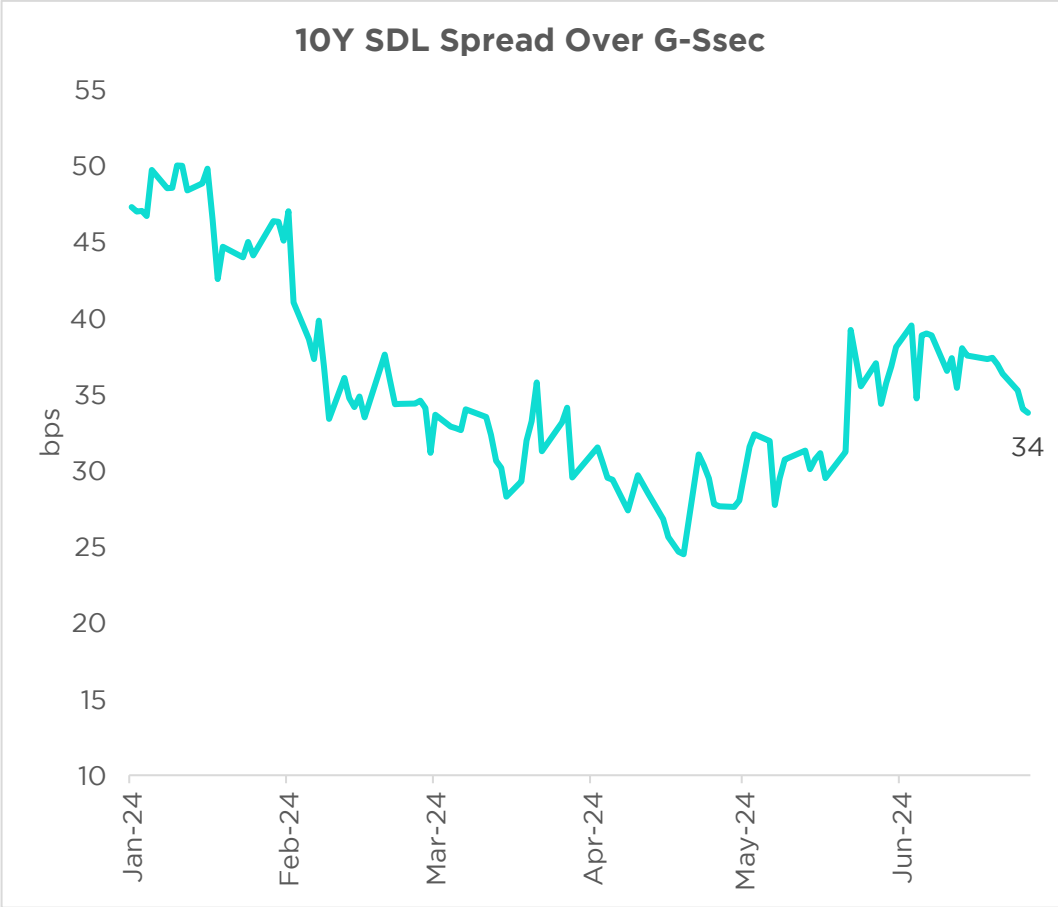
Sources: RBI, CMIE. Data as on Jun 21

- GSec issuances in Q1 FY25 (as on Jun 21) amounted to Rs 3.4 lakh crore and were equal to 90% of calendar amount.
- SDL issuances in Q1 FY25 (as on Jun 21) amounted to Rs 1.3 lakh crore and were equal to 50% of calendar amount.
- FYTD25 (as on Jun 10) Centre has devolved Rs 2.8 lakh crore to States.

# SDL Spread Moderates

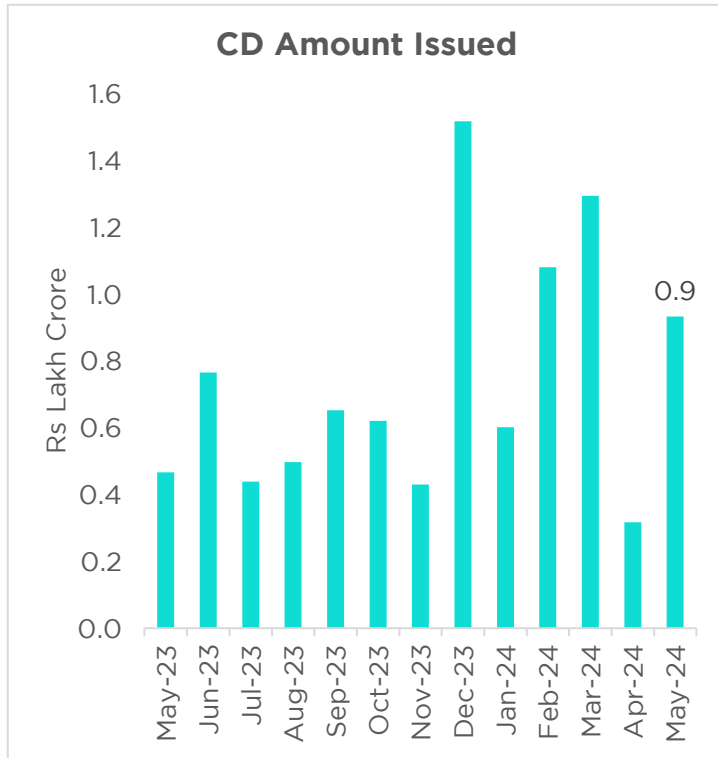


Source: RBI, CareEdge. Note: Data is for week ending Apr 05, Apr 12 etc.

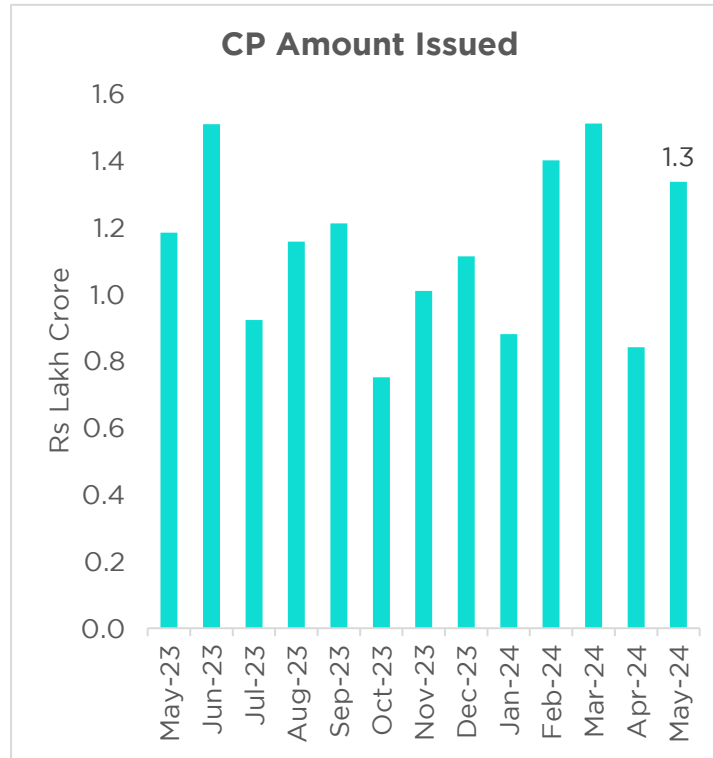


Sources: CCIL, Refinitiv. Data as on Jun 26.

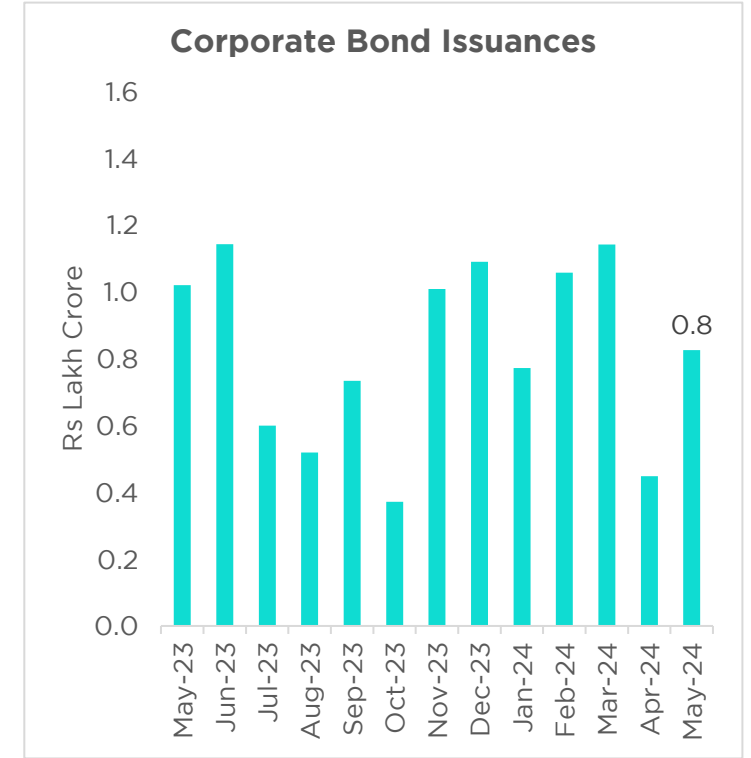
# CD, CP & Corporate Bond Issuances Rise in May



Sources: CMIE, RBI. Note: CD = Certificates of Deposit.



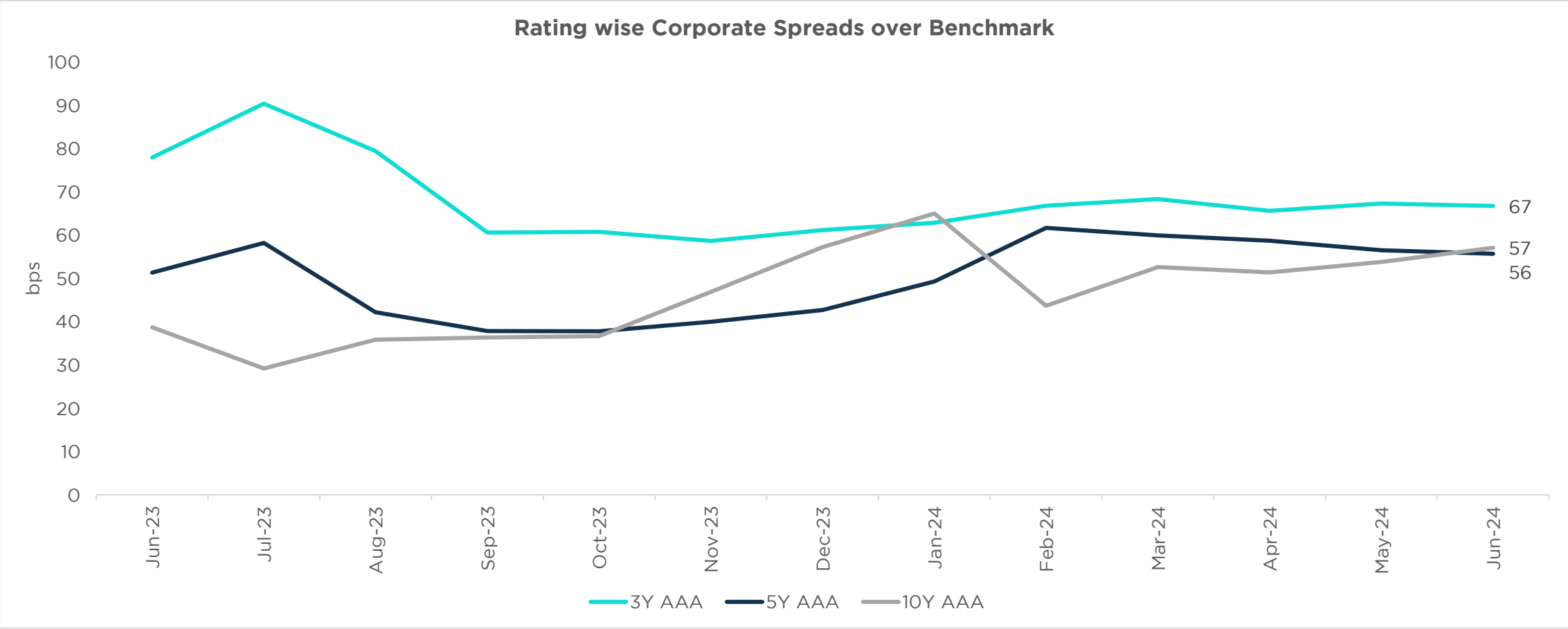
Sources: CMIE, RBI. Note: CP = Commercial Paper.



Source: Prime Database.

- CD issuances were up 195% MoM in May and 100% YoY. FYTD25 issuances amounted to Rs 1.2 lakh crore (+81% YoY).
- CP issuances were up 59% MoM in May and 13% YoY. FYTD25 issuances amounted to Rs 2.2 lakh crore (-5% YoY).
- Corporate bond issuances were up 84% MoM in May but were down 19% YoY. FYTD25 issuances amounted to Rs 1.3 lakh crore (-30% YoY).

# Corporate Spreads Largely Unchanged in June



Source: Refinitiv. Note: Data is monthly average and as on Jun 27.

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