Domestic & international macros to drive bond markets in coming week

Elevated yield volatility, triggered by geopolitical developments and the crude oil prices uncertainty has made issuers cautious about locking in long-term borrowings

Kumud Das
Mumbai

THE successful pricing of SBI's perpetual bond, where the bank accepted Rs4,691 crore at a cut-off coupon of 7.75 per cent, and UltraTech Cement's pro-posed Rs5,000 crore multi-tranche bond issue demonstrate that marquee issuers continue to enjoy strong investor confidence despite a challenging market envi-ronment.

However, these transactions should be viewed as ex-ceptions rather than indicative of a broad-based revival in primary bond market ac-tivity, feel experts.

Bond issuances have re-mained relatively muted this month, with volumes lower than the previous month and only a handful of size-able transactions reaching the market. Elevated yield volatility, triggered by geopo-litical developments in West Asia and the uncertainty surrounding global crude oil prices, has made issuers in-creasingly cautious about locking in long-term borrow-ing costs.

Going forward, corporate bond issuances are likely to remain watchful until mar-ket conditions stabilise. Lower-rated corporates may increasingly prefer bank bor-rowings over capital market issuances, particularly when bond investors demand wider credit spreads during periods of volatility. At the other end of the spectrum, several large corporates have the flexibil-ity to diversify their funding through overseas borrowings whenever pricing and hedg-ing economics are favourable, reducing the immediate need to access the domestic bond market.

Talking to *Bizz Buzz*, Ven-katakrishnan Srinivasan, Founder and Managing Part-ner, Rockfort Fincap, says: "Bank bond issuances may also remain selective in the near term. Strong mobilisa-tion of FCNR(B) deposits under the RBI's special swap window, together with access to foreign currency borrow-ings, has im-proved funding availability for many banks. In the current uncertain interest rate environment, some banks may also pre-fer shorter-tenor funding through Certifi-cates of De-posit (CDs) rather than com-mitting to long-term bond issuances until yields become more stable. That said, banks requiring regulatory capital or long-term funding for in-frastructure lending are still expected to access the bond mar-ket as and when oppor-tunities arise."

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The market therefore re-mains distinctly bifurcated. High-quality issuers with strong balance sheets, estab-lished investor franchises and funding flexibility are likely to continue executing trans-actions successfully, while issuers with weaker credit profiles or limited pricing flexibility may prefer to defer capital market bor-rowings until volatility subsides.

The direction of the bond market over the coming weeks will largely depend on the evolution of geopolitical risks, crude oil prices, domes-tic bond yields and the RBI's monetary policy guidance.

MV Hariharan, former treasury head, State Bank of India, said: "Reflects the at-tractive option of investing in SBI. Oversubscription by itself is a good indicator of the brand equity. In current realities, investors are look-ing for safe-haven as-sets and SBI represents stability with sovereign oversight and backing." That said, if the is-sue size had been larger, more likely would've been the buzz and eyeballs looking for the advantages, he added. Defi-nitely a benchmark for other aspirants. Also advertises do-mestic market resilience and appetite.

Bull-run enters 2nd day on blue-chip rally, FII inflows

Mkts traded in a volatile yet narrow range and settled marginally higher amid mixed cues

Market Trends

- BSE-Sensex rises 273.55pts (+0.35%) to 77,928.15
- NSE-Nifty advanced 66.95pts (+0.28%) to 24,317.15
- FIIs bought equities worth Rs 2,981.87 crore on Wed

Mumbai

BENCHMARK equity indi-ces Sensex and Nifty ended higher on Thursday, driven by a rally in blue-chip stocks Reliance Industries, HDFC Bank and foreign fund in-flows.

In a volatile session, the 30-share BSE Sensex ended 273.55 points, or 0.35 per cent, higher at 77,928.15, helped by fag-end buying. During the day, it hit a high of 78,007.09 and a low of 77,440.91, gy-rating 566.18 points. The 50-share NSE Nifty advanced by 66.95 points, or 0.28 per cent, to end at 24,317.15.

From the Sensex pack, Maruti Suzuki, Mahindra & Mahindra, Reliance In-dustries, State Bank of In-dia, HDFC Bank and Power Grid were among the major winners. Adani Ports, Inter-Globe Aviation, Bajaj Finserv and Bharat Electronics were among the laggards. Foreign Institutional Investors (FIIs) bought equities worth Rs 2,981.87 crore on Wednesday, according to exchange data.

"The Fed's decision to maintain the status quo on rates was largely anticipated, but hawkishness remained due to continued emphasis on inflation control. A sharp uptick in US bond yields sig-nalled growing pressure for a possible rate hike in the near future, keeping global inves-tors on edge, while renewed crude oil volatility amid West Asian tensions added to ex-ternal uncertain-ty," Vinod Nair, Head of Research, Geojit Investments Ltd, said. As a re-sult, domestic equities stayed range-bound with sharp in-traday swings, as investors weighed global headwinds against resilient domestic fun-damentals, he said. "None-theless, strengthening FII inflows, a firmer rupee, and encouraging Q1FY27 sup-ported sentiment, prompting investors to treat dips as se-lective buying opportunities," Nair added. "Markets traded in a volatile yet narrow range and settled marginally higher amid mixed cues. Sentiment remained mixed as the US Fed kept rates unchanged but signaled a hawkish stance, boosting rate hike expecta-tions later this year. Further, Brent crude nearing the $90 mark with renewed geopoliti-cal concerns kept markets on edge," Ajit Mishra, SVP, Re-search, Religare Broking Ltd, said.

Gold futures slip on firm US dollar

NEW DELHI: Gold gave up early gains to trade lower at Rs 1.41 lakh per 10 grams amid subdued mar-ket sentiment. On the Multi Commodity Exchange, the yellow metal for August de-livery fell by Rs 181, or 0.13 per cent, to Rs 1,41,600 per 10 grams. In the previous ses-sion, it had closed at Rs 1,41,781 per 10 grams. The October contract declined by Rs 252, or 0.18 per cent, to Rs 1,43,031 per 10 grams on the com-modities bourse. In the overseas markets, Comex gold futures for August delivery traded marginally lower at $4,031.70 per ounce in New York. Gold turned lower on Thursday as a firm dollar and the US Federal Reserve's cautious stance on interest rates despite mounting inflationary pressures stemming from the renewed conflict in West Asia weighed on the yellow metal, said Deveya Gaglani, Senior Research Analyst - Commodities, Axis Direct. The US Federal Reserve (Fed) on Wednesday kept the federal funds rate un-changed at 3.5-3.75 per cent and said it would continue maintaining ample reserves in the bank-ing system. Ankita Pathak, Head of Global Investments at Ionic Asset, said Fed Chair Kevin Warsh refrained from providing forward guidance, reinforcing the central bank's data-depend-ent approach. She added that any future monetary policy tight-ening could strengthen the US dollar and weigh on commodi-ties and other emerging market assets.

Silver futures slip on weak trend

SILVER prices fell by Rs 271 to Rs 2.17 lakh per kilogram in futures trade as subdued domestic demand and weak global trends weighed on the precious metal. The white metal for Sep-tember delivery declined by 0.12 per cent in a business turno-ver of 12,973 lots. Traders said lower de-mand in the domestic market, coupled with weak overseas trends, kept pressure on the white metal prices.

Brent futures rise nearly 2% to $92.33/bbl

CRUDE oil prices reversed early losses to trade higher at Rs 8,224 per barrel, tracking gains in global benchmarks amid fresh US airstrikes on Iran, which revived concerns over supply dis-ruptions in West Asia. Crude futures for the August deliv-ery climbed by Rs 110, or 1.36 per cent, to Rs 8,224 per barrel. The September contract also advanced Rs 75, or 1 per cent, to Rs 7,973 per barrel on the MCX. In the international markets, Brent oil futures for September de-livery rose nearly 2 per cent to trade at $92.33 per barrel on the Intercontinental Exchange. Ad-ditionally, Comex West Texas Intermediate (WTI) crude for September contract advanced by nearly 1 per cent to $85.03 per barrel on the New York Mercantile Exchange.

Analysts flags key risks in Juniper Green Energy IPO

New Delhi

THE Rs 1,800-crore initial public offering (IPO) of Ju-niper Green Energy -- which opened on Thursday -- car-ries key risks such as high debt, expensive valuation and customer concentration that could weigh on investor re-turns despite the company's rapid growth in the renewable energy sector. Many research analysts and brokerage firms have flagged the company's leverage as one of its biggest concerns. Juniper Green's bor-rowings stood at Rs 12,920.54 crore in FY26, reflecting the capital-intensive nature of the renewable energy business.

More than 95 per cent of its debt carries variable interest rates, exposing the company to higher financing costs if interest rates rise while power tariffs remain locked under long-term contracts, the ana-lysts noted.

They also highlighted the company's premium valua-tion. At the upper price band of Rs 225, the IPO is valued at a price-to-earnings (P/E) multiple of 316.39 times, sig-nificantly higher than most listed renewable energy peers and leaving limited room for execution setbacks.

In comparison, ACME So-lar Holdings trades at 51.5x, NTPC Green Energy at 150.9x and KPI Green Energy at 16.3x, according to analysts. In addition, customer concentra-tion is another major risk.

Sebi issues operational framework to accelerate launch of AIF schemes

AIFs launching regular schemes can proceed with the launch 10 working days after fil-ing the PPM with Sebi through a registered merchant banker, unless otherwise advised by the regulator

New Delhi

MARKETS regulator Sebi on Thursday released an opera-tional framework for a green channel mechanism, GARU-DA, to simplify and speed up the launch of schemes by Al-ternative Investment Funds (AIFs).

The operational frame-work for the 'Green-Chan-nel: AIF Rollout Upon Docu-ment Acknowl-edgement' (GARUDA) mechanism fol-lowed amendments to the Sebi (Alternative Investment Funds) Regulations, 2012, notified earlier this month. Under the revised frame-work, AIFs launching regular schemes can proceed with the launch 10 working days after filing the Placement Memorandum (PPM) with Sebi through a registered merchant banker, unless oth-erwise advised by the regula-tor, Sebi said in its circular.

For first-time schemes, launches can commence from the date of Sebi regis-tration or after the 10-work-ing-day period from filing the application, whichever is later.

The regulator has also pre-scribed a streamlined process for Accredited Investor-only (AI-only) funds, Large Val-ue Funds (LVFs) and Angel Funds. Such funds have been exempted from fil-ing their PPM through a merchant banker and can launch their schemes immediately upon filing the PPM with Sebi.

First schemes of AI-only funds and LVFs can be launched from the date Sebi grants registration, while Angel Funds can circulate their PPMs to investors from the date of registration.

Sebi has mandated mer-chant bankers to indepen-dently conduct due diligence on all disclosures made in the PPMs of regular schemes and certify that the disclosures are true, fair and adequate.

Merchant bankers ap-pointed for filing PPMs can-not be associates of the AIF, its sponsor, man-ager or trustee.

Rupee sustains bullish run amid positive cues

The domestic currency rises 9ps to 95.67/$

Mumbai

THE rupee stayed steady for the fifth straight session and settled with a gain of 9 paise at 95.67 against the US dol-lar on Thursday, taking cues from positive domestic equity markets and inflows of foreign capital. According to forex traders, a softening dollar also supported the local currency, but its upward move was re-stricted due to volatile crude oil prices, triggered by a fresh escalation of the war in West Asia. At the interbank foreign exchange, the rupee opened at 95.59 and traded in the range of 95.56 to 95.75 against the greenback. The Indian unit ended the session at 95.67 against the US dol-lar, regis-tering a gain of 9 paise from its previous closing level. The rupee gained 6 paise to set-tle at 95.76 against the US dollar on Wednesday, after rising 97 paise in four back-to-back ses-sions since closing at 96.73 versus US dollar on July 23.

"Traders may take cues from advance GDP, core PCE (Personal Consumption Ex-penditures) price index and weekly unemployment claims data from the US. USD-INR spot price is ex-pected to move in a range of Rs 95.40 to Rs 96," Anuj Choudhary, Research Analyst, Mirae Asset ShareKhan, said. Meanwhile, the dollar index, which gaug-es the greenback's strength against a basket of six cur-ren-cies, was trading down 0.05 per cent at 101.67.

Analysts said crude prices reclaimed $90-per-barrel levels amid renewed fear of disruptions in global energy supplies, as fresh flare-ups be-tween the US and Iran, after a brief calm, shattered hopes of an end to the five-month con-flict in West Asia.

The US military said on Thursday that they have struck "dozens" of targets be-longing to Iran's Revolution-ary Guard Corps in "a heavy wave of strikes against Iran" conducted in response to an earlier Iranian missile attack on a US base in Jordan.

Indo-MIM debuts with 53% premium

NEW DELHI: Shares of preci-sion engineering components maker Indo-MIM Ltd on Thursday made a remarkable stock market debut and ended with a premium of nearly 53 per cent against the issue price of Rs 485. The stock started trading at Rs 703, up 44.94 per cent from the issue price on the BSE. During the day, it jumped 56.18 per cent to Rs 757.50. Shares of the firm ended at Rs 741.80, rallying 52.94 per cent. At the NSE, the stock listed at Rs 700, reg-istering a jump of 44.32 per cent. It ended at Rs 741.75, up 52.93 per cent. The company's market valua-tion stood at Rs 36,680.59 crore. In traded vol-ume terms, 97.38 lakh shares of the firm were traded at the BSE and 727.03 lakh shares at the NSE during the day.

Further uptrend from the current levels

Above 77,500, the rally may extend till 78,300-78,500; below 77,500, the uptrend would become vulnerable

Bizz Buzz Bureau
Mumbai

THE benchmark indices continued their positive mo-mentum, with the Sensex rising by 274 points. Among sectors, the auto index was the top gainer, rallying over 1.76 per cent, whereas the realty index lost the most, shedding 2 per cent.

Technically, after a muted open, the entire day the mar-ket traded comfortably above the 20-day SMA (Simple Moving Average), which is largely positive. In addition, a bullish candle on daily charts and an uptrend continuation formation on intraday charts indicate a strong possibility of fur-ther uptrend from the current levels.

"For trend-following trad-ers, now 77,500 would act as a key support zone," says Shri-kant Chouhan, Head - Equity Research, Kotak Securities. Above this, the uptrend wave is likely to con-tinue. On the higher side, the rally could extend till 78,300-78,500. On the flip side, below 77,500, the uptrend would become vulnerable. Below this, trad-ers may prefer to exit their long positions.

World shares trading mixed as investors sell AI stocks in Asia

Crude prices remained volatile after the US said it had conducted a "heavy wave" of strikes against Iran, responding to an attack on a US base

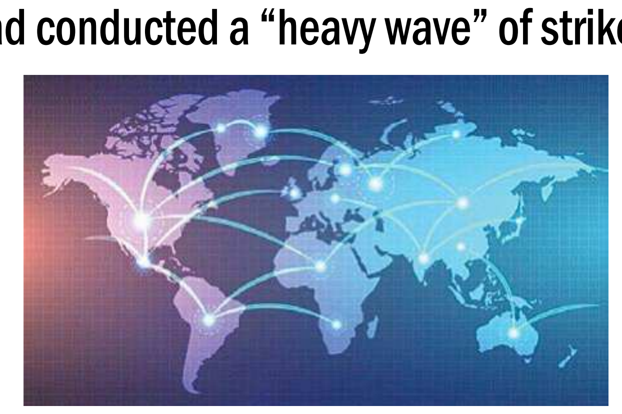
Hong Kong

OIL prices bounced between gains and losses on Thursday and world shares were mixed, with South Korea's Kospi fall-ing again after losing more than 16 per cent over the past two days due to selling of stocks related to artificial intelligence-related. Crude prices remained volatile after the US said early Thursday it had conducted a "heavy wave" of strikes against Iran, responding to an attack on a US base.

Brent crude, the interna-tional standard, slipped 0.2 per cent to $87.92 per bar-rel after rising ear-lier. It was trading around $72 a barrel in late February, before the Iran war began. Benchmark US crude lost 0.3 per cent to $84.25 per barrel. The future for the S&P 500 was up 0.4 per cent while that for the Dow Jones Industrial Average gained 0.2 per cent.

In early European trading, Britain's FTSE 100 rose 0.2 per cent to 10,930.40. France's CAC 40 surged 0.8 per cent to 8,477.55. Germany's DAX was nearly unchanged at 25,457.08. In South Korea, recent declines in its bench-mark Kospi, a big beneficiary of the global boom in AI, have been viewed by some analysts as a reflection of broader doubts about massive invest-ments in building AI capacity. The Kospi fell 1.2 per cent to 5,593.56, after falling 10.8 per cent on Tuesday and nearly 6 per cent on Wednesday. The benchmark has fallen more than 38 per cent from its all-time closing high of more than 9,100 in June, though it's still up nearly 30 per cent so far this year.

Samsung Electronics fell 0.7 per cent, even after the South Korean technology giant reported a record op-erating profit for the latest quarter, largely in line with estimates. Chipmaker SK Hynix lost 5.6 per cent after sinking more than 9 per cent on Wednesday, when it also reported a rec-ord quarterly operating profit, which bal-looned nearly sixfold. That was still lower than what ana-lysts had expected and disap-pointed investors dumped its shares.



In Tokyo, the Nikkei 225 gained 0.7 per cent to 61,867.43, recovering some of its losses after falling 1.5 per cent a day earlier. Open-AI investor SoftBank Group fell 2.5 per cent. But com-puter chip equipment maker Tokyo Electron climbed 4.5 per cent. Memory chipmaker Kioxia Holdings added 2.9 per cent.

Taiwan's Taiex, which was also lifted by the AI boom, closed 0.3 per cent lower. Its leading chipmaker TSMC edged up 0.2 per cent. Hong Kong's Hang Seng edged up 0.2 per cent to 25,858.88. The Shanghai Composite index lost 0.6 per cent to 3,804.69. In Australia, the S&P/ASX 200 slipped 0.8 per cent to 8,967.70. India's Sensex was mostly unchanged.

> The Fed's chairman, Kevin Warsh, reiterated his commitment to get inflation back to 2% following years of faster-than-hoped increases in prices, but he also stuck to his plan of giving financial markets fewer clues about what the Fed may do with interest rates in the near future

On Wednesday, the bench-mark S&P 500 dropped 1.5 per cent and the Dow indus-trials fell 2.2 per cent. The technology-heavy Nasdaq composite index lost 1.7 per cent. Several chipmaking big names fell. Nvidia lost 3.6 per cent and AMD, or Advanced Micro Devices, shed 5.5 per cent. Broadcom declined 2.8 per cent. The US stocks trad-ed lower also after the Fed-eral Reserve decided to hold interest rates steady even as some members on the policy-making committee wanted to raise rates.

The Fed's chairman, Kevin Warsh, reiterated his commit-ment to get inflation back to 2 per cent following years of faster-than-hoped increases in prices, but he also stuck to his plan of giving financial markets fewer clues about what the Fed may do with in-terest rates in the near future. With less guidance from the Fed, financial markets may be set for more volatile trading amid the uncertainty.

"Did the Fed take an ex-plicit change in its policy rate today?" Warsh asked rhetorically in a news confer-ence following the Fed's deci-sion. "No, but I think that's the beginning of the story." In the bond market, the yield of the US 10-year Treasury was at 4.68 per cent, up from 4.61 per cent late Tuesday. In other dealings early Thursday, the US dollar rose to 163.83 Japa-nese yen from 163.41 yen. The euro rose to $1.1475 from $1.1467.