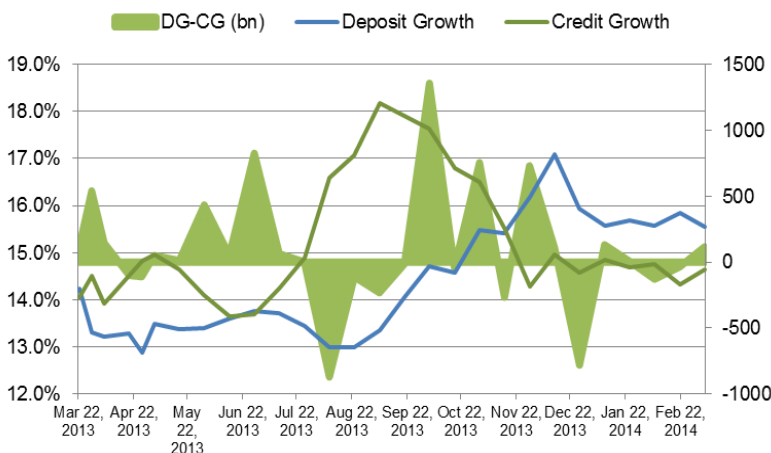


- Liquidity is set to improve substantially as we move in the next financial year. The money market curve which was seen inverted, where 1M CD rates was higher than 3M and 3M was higher than 1Y, may turn upward sloping. We expect 3M rates to recede by ~65-75bps. 1Y may fall to 8.80-8.90%.
- Liquidity deficit which by March end rose to ~2tn is expected to ease and hover at around 1.25-1.35tn. Government expenditure coupled with substantial inflows via redemption will support overnight rates to some extent.
- Term repo o/s by March end was seen at ~1.2tn. Looking at subsiding demand in the initial days of April and RBI's policy it may rollover term repo worth -600bn.
- Currency in circulation will aggravate liquidity concerns as we head for general election. We expect currency leakage of ~350bn in the month of April. The number can surprise on the upside.
- Traders will closely monitor RBI's move in the FX market. Following unanticipated FII's inflows on the back of stable election outcome expectation, RBI may use the opportunity to build up the war chest subsequently pushing up reserve money.
- As traders oblige the second leg of holding period return trades, a number of money market instruments may exchange hands at outlying levels. Early April papers yielded high rates primarily on the back of reinvestment risk for the next month.
- Overnight rates are expected to see saw where it may hover near RBI's repo levels in the first half after which heavy cash outflows via borrowing may pull up the same to MSF levels.



Source: Reuters, RBI, Mycap. Estimates

Important numbers from RBI's B/L (in bn)				
Particulars	21-Mar	14-Mar	7-Mar	28-Feb
Currency in Circulation	12903	12903	12825	12712
State WMA	10.34	1.60	-	3.14
Cent. WMA	-	-	-	-
Govt. Cash Balance	621	66	1	1

Cash Inflows in Crs.			
Date	Instrument	Payment	Amount
3-Apr	SDLs/Tbills	Int&Redmp	18801
5/7 Apr	SDLs	Interest	869
9-Apr	Gsec&SDLs	Interest	1439
10-Apr	Gsec&Tbills	Int&Redmp	11198
11/12/15 Apr	Gsec&SDLs	Interest	8665
16-Apr	Gsec&Tbills	Int&Redmp	44791
17-Apr	SDLs&Tbills	Int&Redmp	13462
19-Apr	SDLs	Interest	844
21-Apr	SDLs&Gsec	Interest	638
22-Apr	Gsec	Interest	3411
23-Apr	SDLs	Interest	8462
24-Apr	Tbills	Redemption	12411
25-Apr	SDLs	Interest	709
28-Apr	SDLs	Interest	636
29-Apr	SDLs&Gsec	Interest	148
30-Apr	SDLs	Interest	377
Total			126861

Cash Outflow in Crs.		
Date	Instrument	Noti. Amount
2-Apr	T-bills Auction	15000
4-Apr	Gsec Auction	16000
8-Apr	SDLs (estimated)	8000
9-Apr	T-bills Auction	15000
11-Apr	Gsec Auction	16000
16-Apr	T-bills Auction	15000
18-Apr	Gsec Auction	20000
22-Apr	SDLs (estimated)	8000
23-Apr	T-bills Auction	15000
25-Apr	Gsec Auction	16000
30-Apr	T-bills Auction	15000
Total		159000

Parameters (Amt in bn)	Mar-14	Apr-14
Opening Liquidity	-1467	-2097
A. Inflow s	2630	2250
A1. Gsec&SDLs	257	719
A2. Tbills	592	550
A3. Govt. Expenditure	1781	981
A4. OMO	0	0
B. Outflow s	3260	2010
B1. Gsec&SDLs	200	840
B2. Tbills	700	900
B3. Govt. Revenue	2210	170
B4. Currency in circulation	240	350
B5. CRR	50	-100
B6. FX Intervention	-140	-150
Closing Liquidity	-2097	-1857

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