

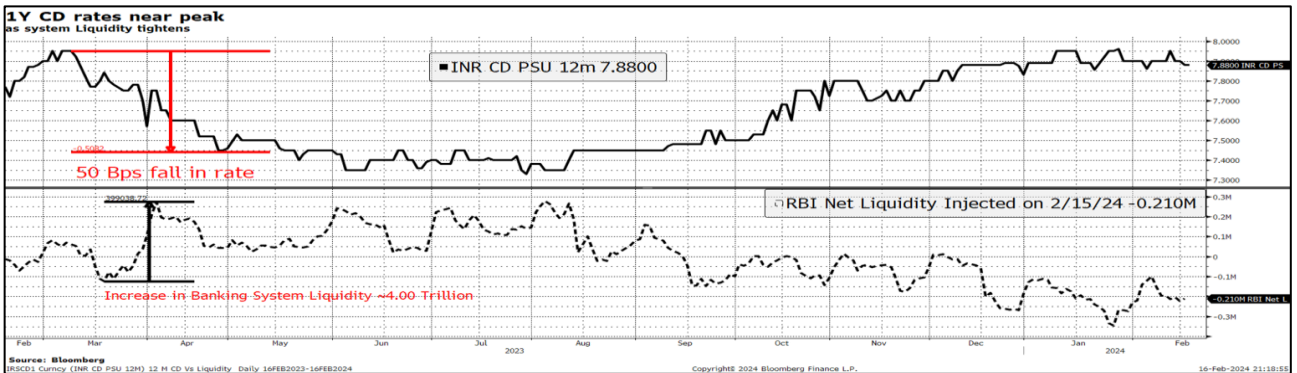
One Year Money Market Rates (Mar 2024)

One Year CD rates had shot up in February and reached ~ **7.85%**.

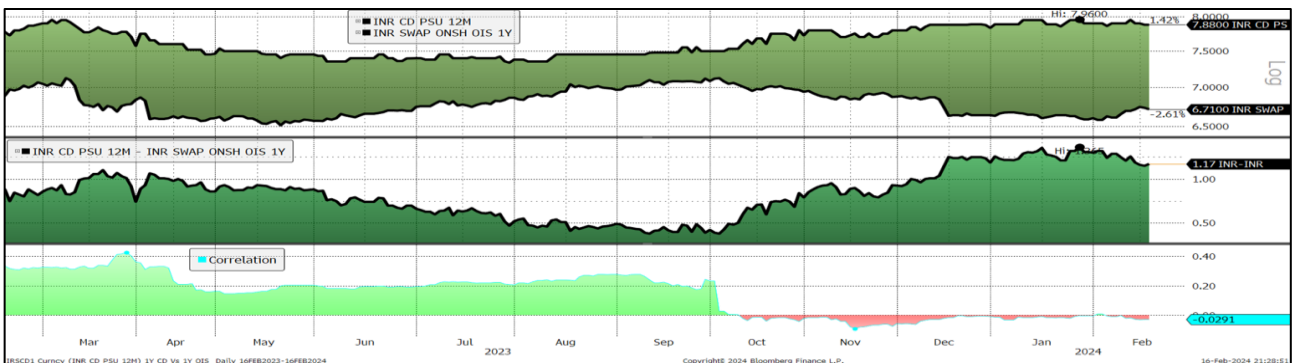
- In December 2023, with high credit-deposit ratios and tight system liquidity we had expected rates in this bucket to go up from 8.00% to 8.25% but homogenous interest rate views among market participants, who have lapped up one-year issuances right from January 2024, has led to some stability in rates.
- Clearly the market views, spreads vs overnight rates as attractive and expects improvement in banking system liquidity in April-June 2024 quarter with increase in Government expenditure.
- Last year this bucket witnessed 50 bps drop as system liquidity increased in April 23.
- This was when market participants were not sure of future policy rates as RBI had done 25 bps rate hike in Feb 2023 and inflation across world was still piping hot.
- This time though liquidity deficit & credit deposit ratios are higher, but market is sure about no rate hikes and better liquidity in coming quarter.

16-02-2024

Graph 1-One Year CD Rates and Banking system Liquidity



Graph 2- Spread: One Year CD Rates - OIS 1Y rate



Source: Bloomberg | CD = Certificate of Deposit, OIS= overnight index swap

One Year Money Market Rates (Mar 2024)

- The correlation between 1Y OIS and 1Y CD rates has turned negative as banking system liquidity deficit has increased since October 23. In other words, as OIS rate is pricing in stable policy rate expectation, but issuances and burgeoning system liquidity deficit has pushed up CD rates.
- Now One year Money Market Rate has dropped near to 7.65% to 7.70%
- As liquidity improves and issuances drop, there is a high probability of similar magnitude of drop in 1y CD rates as seen in April 23, if not bigger.

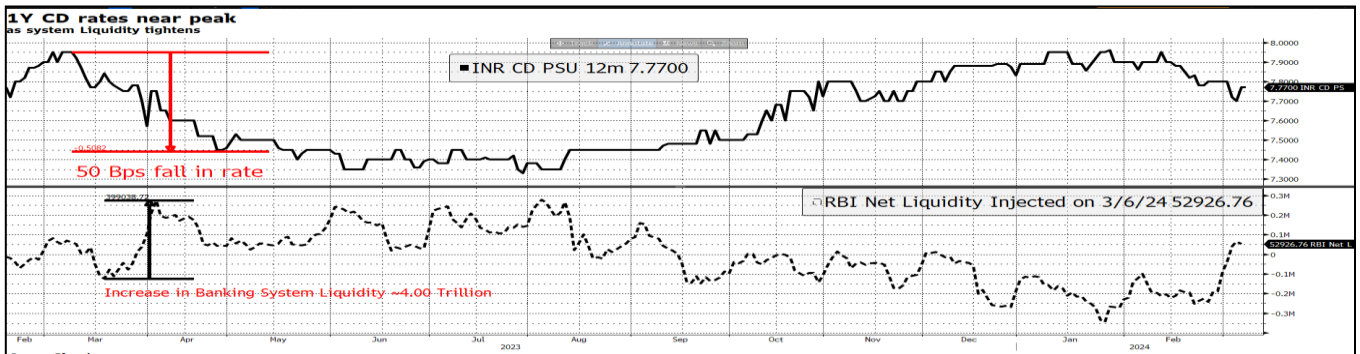
How to play this?

Money Market Funds, have increased allocation of around 1 year maturity bucket in last couple of months.

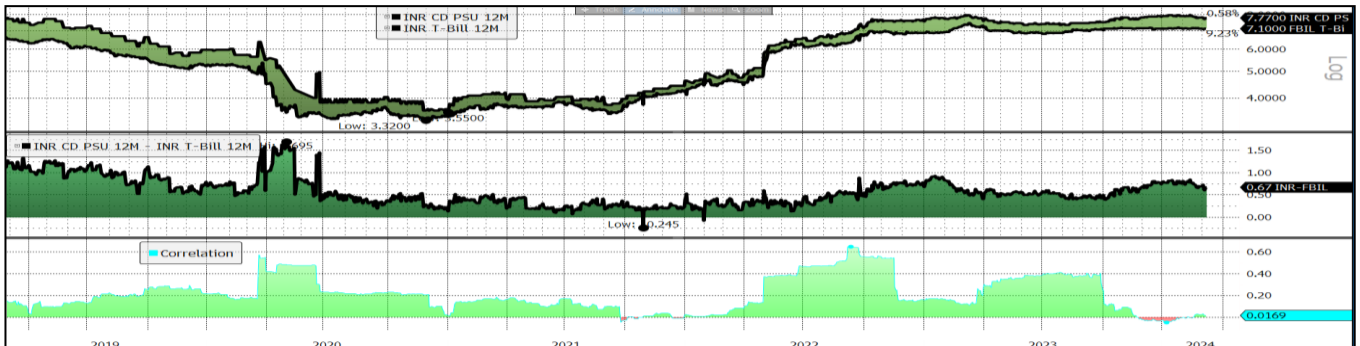
Three weeks back we shared this idea since then 10-15 bps rally has already come about. Our base case scenario still remains same. Kindly find below the relevant charts.

07-03-24

Graph 1-One Year CD Rates and Banking system Liquidity



Graph 2- Spread: One Year CD Rates - OIS 1 Y rate



	YTM	Average Maturity	Macaulay Duration	Modified Duration
Bajaj Finserv Liquid Fund	7.38%	38 Days	40 Days	38 Days
Bajaj Finserv Money Market Fund	7.63%	193 Days	190 Days	183 Days

Source: Bloomberg | CD = Certificate of Deposit, OIS= overnight index swap | Debt Quants as on 29th Feb 2024

Bajaj Finserv Liquid Fund

An open ended Liquid Scheme with relatively low interest rate risk and moderate credit risk

PRODUCT LABEL AND RISKOMETER

This product is suitable for investors who are seeking*:

- Regular income over short term.
- Investment in money market and debt instruments, with maturity up to 91 days.

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.



Bajaj Finserv Money Market Fund

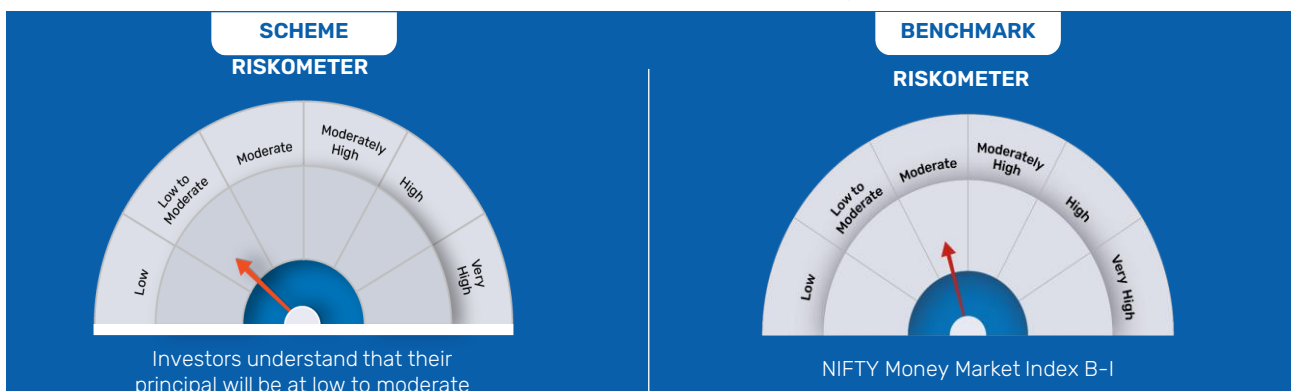
An open ended debt scheme investing in money market instruments with Relatively Low Interest Rate Risk and Moderate Credit Risk.

PRODUCT LABEL AND RISKOMETER

This product is suitable for investors who are seeking*:

- Income over short term.
- Investment in money market instruments that seeks to provide reasonable returns, commensurate with low risk while providing a high level of liquidity

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them



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Mutual Fund investments are subject to market risks, read all scheme related documents carefully.