

# Fixed Income Navigator

July 2024 | Issue 17





**We reiterate our view to have a **duration bias** in the fixed income portfolio as to capitalize on the likely softening of yields in the next 1 to 2 years.**

**65% – 70% of the portfolio can be invested in combination of :**

- Actively & Passively managed debt strategies to capitalize on duration and accrual as per the evolving fixed income scenario
- Equity Savings Funds/Conservative Multi Asset Funds which aim to generate enhanced returns than traditional fixed income with moderate volatility through a combination of equities, arbitrage, fixed income, commodities, REITs/InvITs

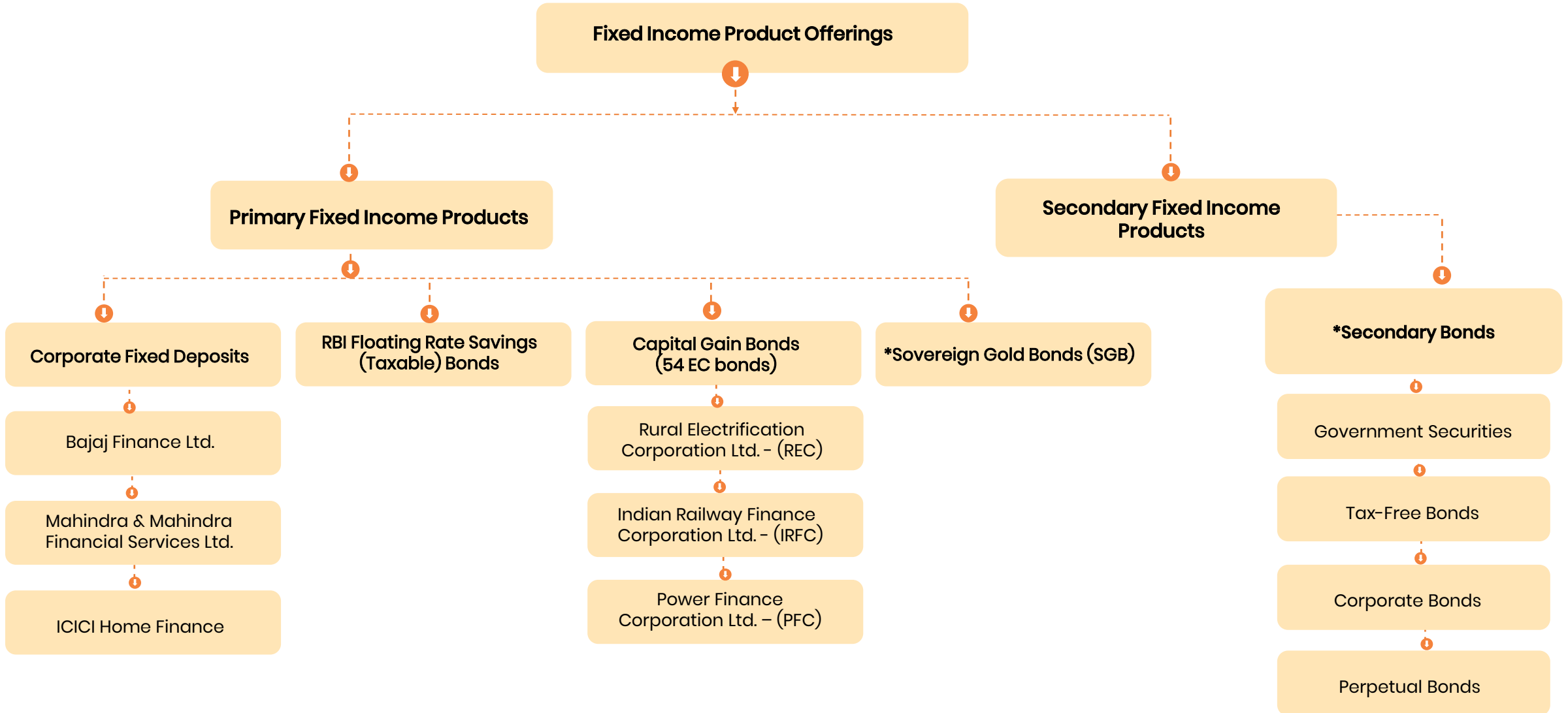
**30% – 35% of the portfolio (to improve yield) can be invested in combination of :**

- Select high yield NCDs
- Private Credit strategies
- REITs/InvITs

**For liquidity management or temporary parking, investments can be allocated to:**

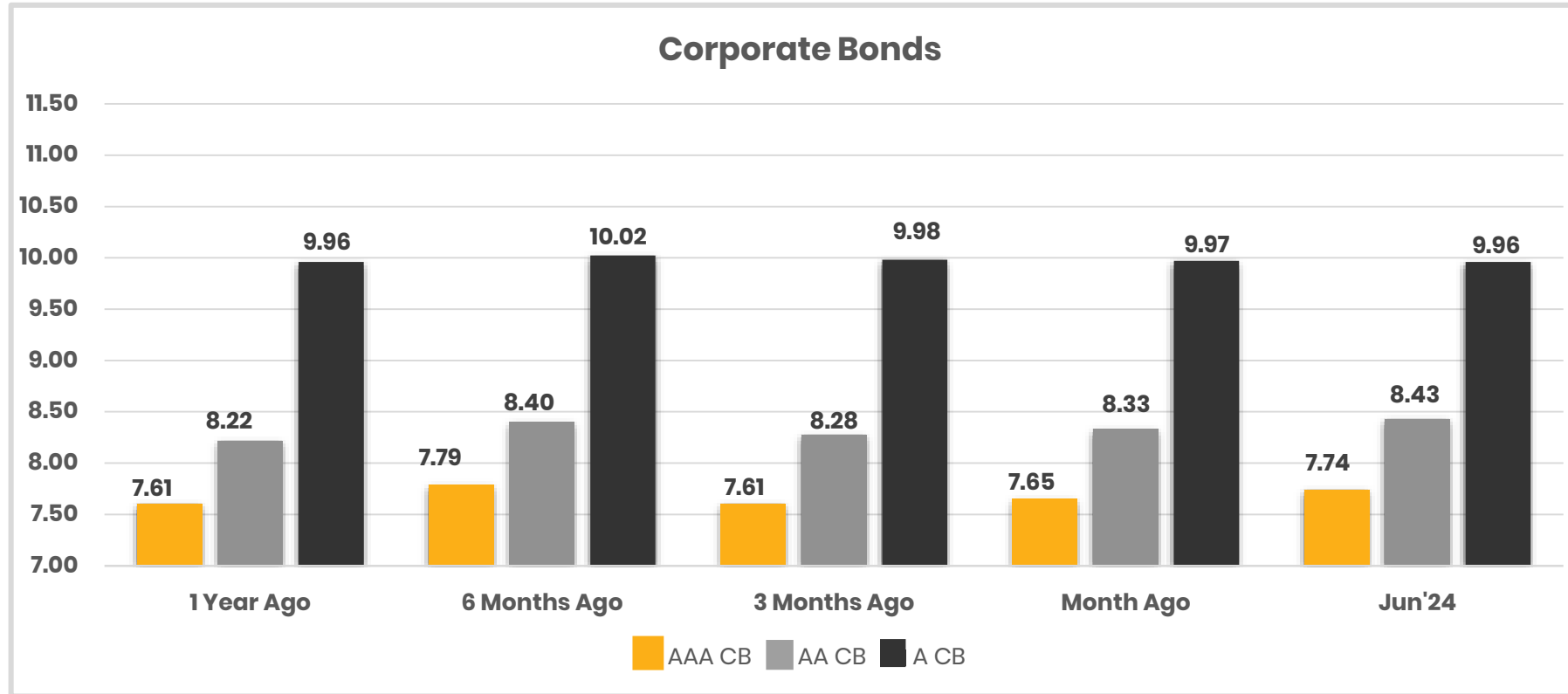
- Overnight (less than 1 month)
- Liquid (1-3 months)
- Arbitrage/Ultra Short Term (minimum 6 months)
- Floating Rate (min 9-12 months)

# Fixed Income Primary and Secondary Product Offerings



\*As per availability of the product at the time on investment

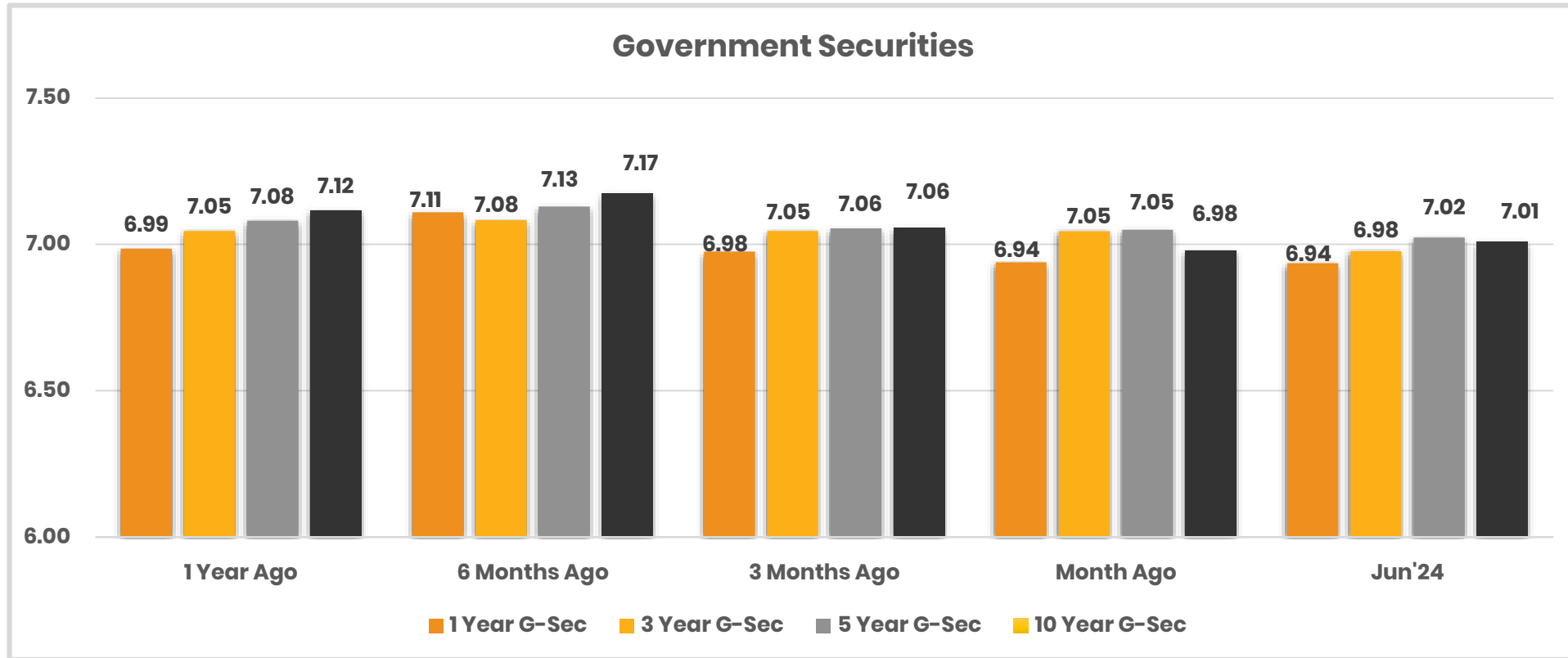
# PERFORMANCE UPDATE



- In Jun'24, corporate bond yields showed a slight decline in A-rated bonds & a rise across AAA-rated & AA-rated bonds.
- The yield for A-rated corporate bonds experienced the marginal drop, decreasing by 1 basis points (bps), on the other hand AA-rated & AAA-rated bonds saw a rise of 10 bps & 9 bps respectively.

Short Term Papers (%)						Change in (bps)			
Broad Indices	Jun'24	Month Ago	3 Months Ago	6 Months Ago	1 Year Ago	1M	3M	6M	1Y
3 Months CP	7.80	7.80	8.00	8.00	7.10	0	-20	-20	70
6 Months CP	8.00	8.00	8.05	8.20	7.43	0	-5	-20	57
1 Year CP	8.08	8.00	8.05	8.25	7.73	8	3	-17	35
3 Months CD	7.25	7.18	7.75	7.38	6.88	7	-50	-13	38
6 Months CD	7.53	7.45	7.70	7.68	7.19	8	-18	-15	34
1 Year CD	7.68	7.67	7.65	7.83	7.33	1	3	-15	36
3 Month T-Bill	6.79	6.89	6.90	7.00	6.73	-10	-11	-21	6
6 Month T-Bill	6.89	7.00	7.04	7.08	6.86	-11	-15	-19	3
1 Yr T-Bill	6.93	7.02	6.99	7.09	6.86	-9	-6	-16	7

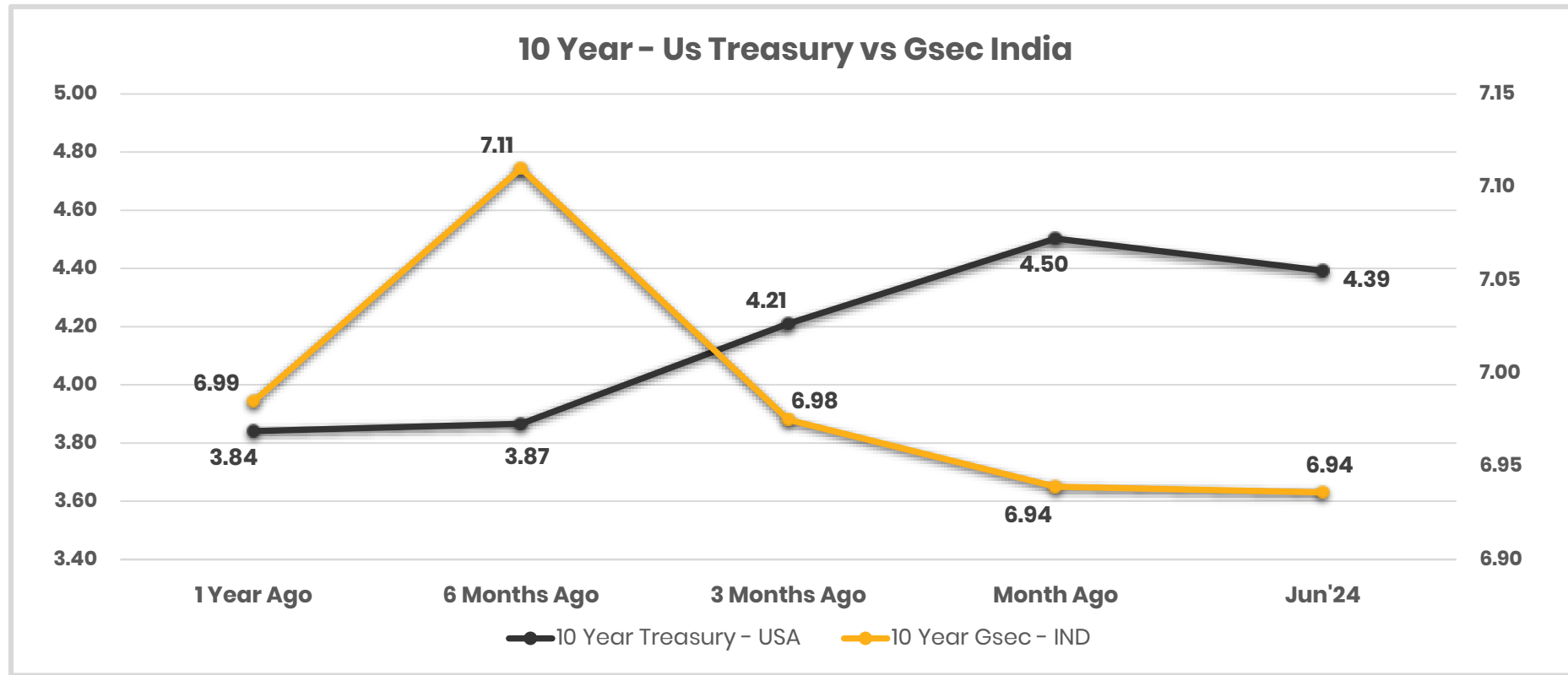
Government Securities (%)						Change in (bps)			
Broad Indices	Jun'24	Month Ago	3 Months Ago	6 Months Ago	1 Year Ago	1M	3M	6M	1Y
1 Year G-Sec	6.94	6.94	6.98	7.11	6.99	0	-4	-17	-5
3 Year G-Sec	6.98	7.05	7.05	7.08	7.05	-7	-7	-11	-7
5 Year G-Sec	7.02	7.05	7.06	7.13	7.08	-3	-3	-11	-6
10 Year G-Sec	7.01	6.98	7.06	7.17	7.12	3	-5	-17	-11



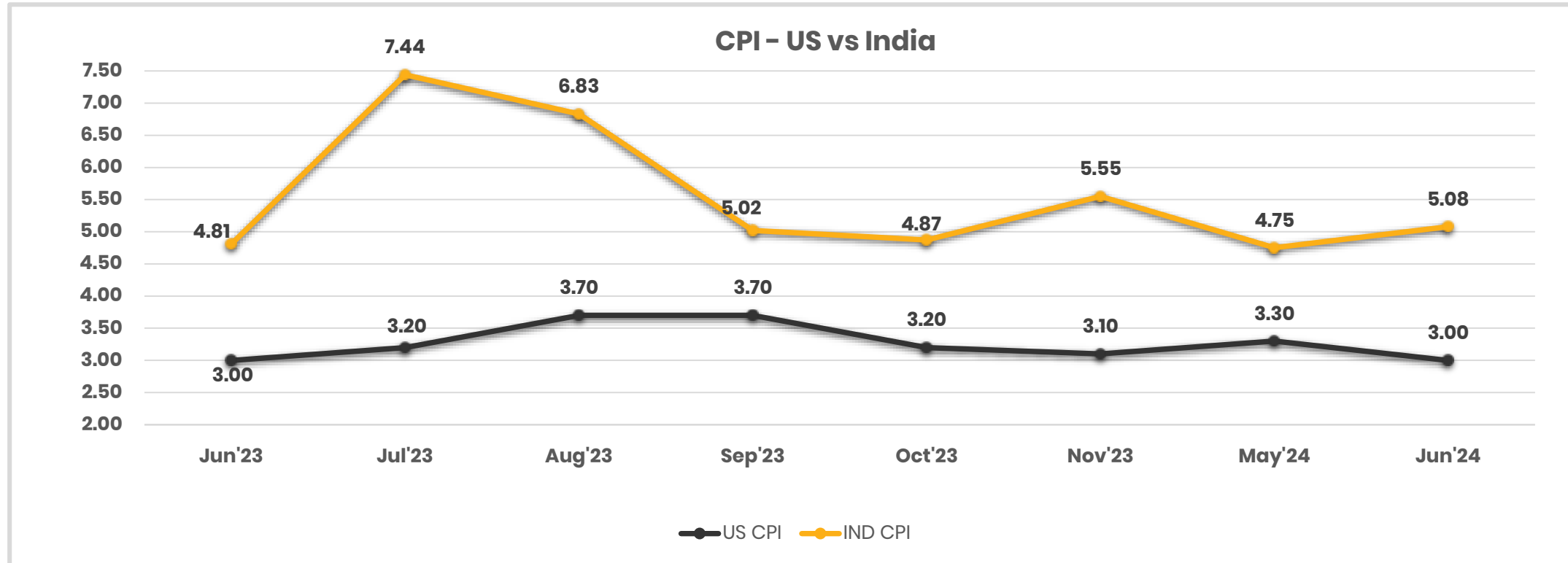
- In Jun'24 Government Securities yields for all tenors experienced sideways movement.
- 3year G-sec decreased the most by **7bps** followed by 5year G-sec dropping by **3bps** respectively, whereas 1year G-sec yields remained unchanged at 6.94.



# 10 Year US Treasury vs 10 Year Gsec IND



- Yields for 10 Year G-secs and 10 Years US Treasury in Jun'24 witnessed a drop as US Treasury depreciated to 4.39 against 4.50 in previous month, whereas G-sec remained the constant at 6.94 in the month on Jun'24.
- 10 Year US Treasury yields decreased following a period of upward movement over the past three months. 10 Year G-secs remained flat over the past one month.



- US CPI in Jun'24 came down to 3.00 against 3.30 in May'24, on the other side India CPI witnessed a massive spiked as CPI figures went up by 6.95% to 5.08 in Jun'24 against 4.75 in May'24.
- The rise in India CPI was mainly due to rise in rural inflation which increased to 5.70% from 5.30% a month ago, while urban consumers faced a price rise of 4.40% compared with 4.20% in May. However, urban India faced a higher food inflation of 9.55% while it was 9.20% for their rural peers.

# PRODUCT OFFERINGS

# Fixed Income Products Offerings

## Corporate Fixed Deposit

- Bajaj Finance Ltd.
- Mahindra & Mahindra Financial Service Ltd.
- ICICI Home Finance Ltd.

## Capital Gain Bonds

- Rural Electrification Corporation Ltd.
- Indian Railway finance Corporation Ltd.
- Power Finance Corporation Ltd.

## RBI 8.05% Floating Rate Saving (Taxable Bond)

## Sovereign Gold Bonds (SGB)

## Secondary Bonds

- Government Securities
- Tax - Free Bonds
- Corporate Bonds
- Perpetual Bonds

# Corporate Fixed Deposits

Corporate Fixed Deposits are one of the money raising tools for Companies. Through these, Companies raise money from the public and offer a fixed rate of interest for different tenures. If your risk appetite is low, fixed deposits are perfect for you. Since most of the instruments are rated by rating agencies, investor can easily judge the safety level of the company.

## Product Features:

- **Tenure:** 1 year to 5 years
- **Rating:** We are offering only AAA rated Fixed deposits
- **\*Minimum Investment:** Rs.10,000 (Different for each Issuer)
- **\*Interest Rate:** Interest rate is higher than Bank Fixed Deposits and additional interest for senior citizens
- **\*Interest Frequency:** Monthly, Quarterly, Semi-annually, Annually & Cumulative
- **Mode:** In Physical Mode only
- **Options Available:** Cumulative & Non-Cumulative
- **ECS Facility:** ECS facility is available for Interest & Maturity Amount
- **Liquidity:** Most of the Companies are giving pre-matured withdrawal option

## Recommended Fixed Deposits:

- Bajaj Finance Limited
- Mahindra & Mahindra Financial Services Limited
- ICICI Home Finance

## How to choose a good corporate fixed deposits?

- **Better Credit Rating:** You should choose the company with the better credit rating & reputation
- **Shorter Tenure:** This is advisable to invest shorter tenure deposit around 3 years
- You can select non cumulative option for regular income

# Corporate Fixed Deposits | Capital Gain Bonds

Company name	Rating	Cumulative interest rate in (%ge)					Senior citizen Additional ROI (%)	Interest mode
		12 m	24 m	36 m	48 m	60m		
Bajaj Finance Ltd.(Rates for Amount upto 5 Cr.)	CRISIL : AAA	7.40	7.80	8.10	-	8.10	0.25	M/Q/H/Y
Mahindra & Mahindra Financial Services Ltd.	CRISIL : FAAA	7.50	7.80	8.10	8.05	8.10	0.25	M/H/Q
ICICI Home Finance (Rates for Amount upto 2 Cr.)	CRISIL : FAAA	7.25	7.65	7.75	-	7.65	0.25	M/Q/Y

Capital gain bonds (54 EC Bonds)	
Company name	Rate of Interest (60 months)
Rural Electrification Corporation Ltd. - (REC)	5.25%
Indian Railway Finance Corporation Ltd. - (IRFC)	5.25%
Power Finance Corporation Ltd. - (PFC)	5.25%

# Capital Gain Bonds (54 EC Bonds)

As per provisions of Income Tax Act, 1961, any long term capital gains from transfer or sale of real Estate would be taxable. But if the same capital gain money invested in 54 EC Bonds exempted from tax under section 54EC. Investor gets complete capital gain tax exemption subject to the upper limit of INR 50 lakh in a financial year.

## Product Features:

- **Tenure** : 5 years with locking period.
- **Interest** : 5.25% p.a.
- **Interest Frequency**: Annually
- **Rating**: Highest credit rating AAA
- **Minimum Investment**: Rs.20,000 & multiple by Rs.10,000
- **Maximum Investment**: Rs.50 Lakhs in a financial Year
- **Transferability**: This bond cannot be transferred from one person to another at any point of time
- **Bond Issue**: Dematerialized & Physical
- **Transferability**: This bond is Not Transferable

## Available Bonds:

- Rural Electrification Corporation Limited
- Power Financial Corporation Limited
- Indian Railway Financial Corporation Limited

## Eligible Investors:

Individuals/ Hindu Undivided Families (HUF)/ Partnership firm/ Insurance Companies/Companies and Body Corporate/ Provident Funds, Superannuation Funds and Gratuity Funds/Banks/ Mutual Funds/ Financial Institutions (FIs)/ Foreign Portfolio Investors (Subject to existing regulations)/Regional Rural Banks/ NRIs/other foreign eligible investor investing out of NRO A/c on non-repatriable basis/ Cooperative Banks/ Limited liability Partnership.

Note: You should invest in 54EC bonds within 6 months of transferring capital asset – Please consult your chartered accountant before investing

Source: MOFSL | Data as on 01st July 2024.

# RBI 8.05% Floating Rate Savings Bond (Taxable)

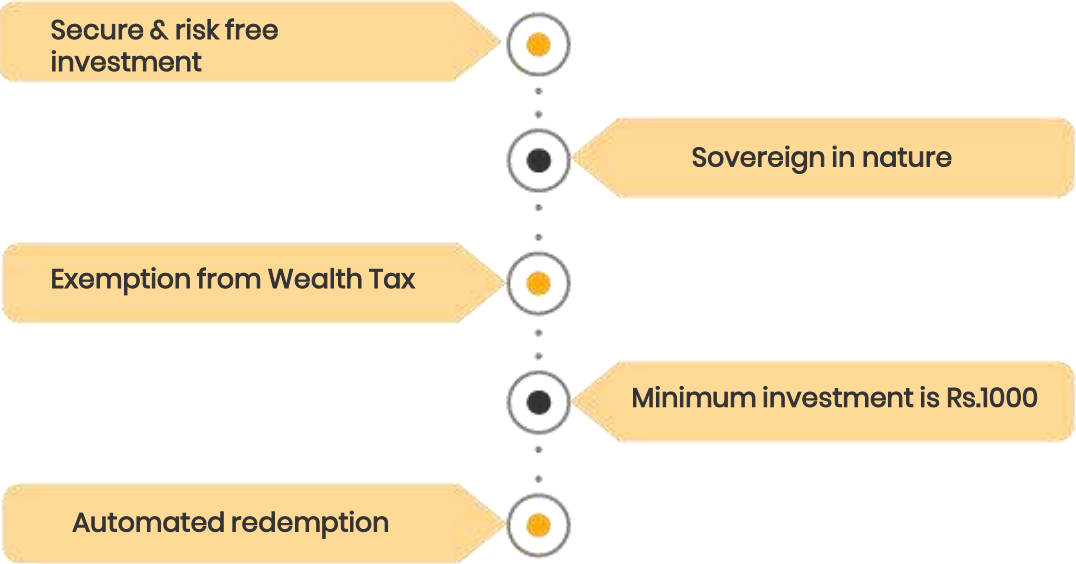
This bond is popularly known as RBI Bonds or GOI bonds, they suit anyone looking for highest safety of principal and a regular income.

## Product Features:

Tenure : Facility is available to the eligible investors	
Lock in period	Age
4 Years	80 years and above
5 Years	between 70 to 80 years
6 Years	60 to 70 years respectively.

- **Issuer:** RBI
- **Minimum Investment:** Rs.1000
- **Maximum Investment:** No Limit
- **Bonds Issue:** Only in Physical Mode
- **Cheque in Favour:** HDFC BANK FLOATING RATE SAVINGS BONDS,2020 (TAXABLE)
- **Options Available:** Non-Cumulative (Half Yearly)
- **Who Can Invest:** Individual & HUF
- **Transferability:** This Bond is Not Transferable

## Why to invest in this Bond?





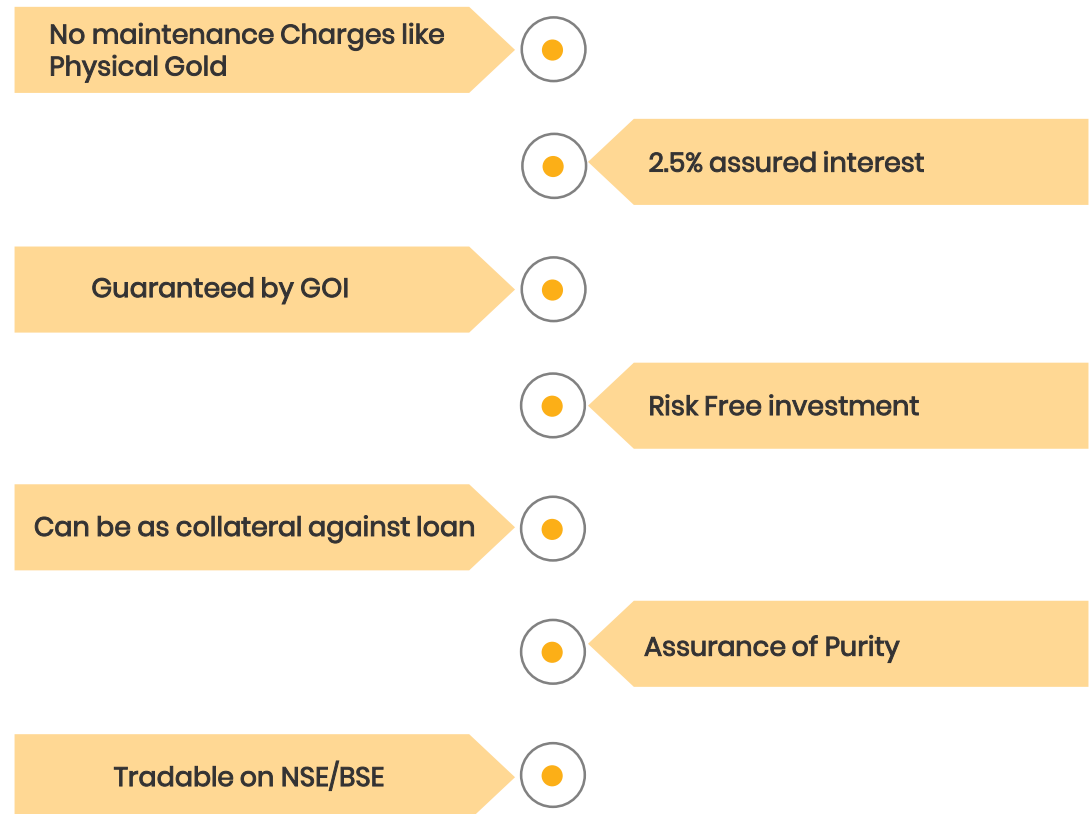
# \*Sovereign Gold Bonds (SGB) 2023-2024

Sovereign Gold Bonds are government securities denominated in grams of gold. They are substitutes for holding physical gold. Investors have to pay the issue price in cash and the bonds will be redeemed in cash on maturity. The Bond is issued by Reserve Bank of India on behalf of Government of India.

## Product Features:

- **Tenure:** 8 years
- **Issuer:** Reserve Bank of India
- **Minimum & Maximum Limit:** 1 gram minimum & maximum is 4 kg for individual, 4kg for HUF & 20 kg for trust & similar entities in a financial year.
- **Interest:** 2.5% annually interest on the investment amount & the same is payable semi annually.
- **Redemption Value:** The redemption price shall be based on average of closing price of gold of 999 purity of previous 3 business days from the date of repayment
- **Listing:** NSE & BSE
- **Nominee:** Nominee facility is available

## Why to invest in Sovereign Gold Bonds



\*As per the availability

Source: MOFSL | Data as on 01st July 2024

# \*Secondary Bonds

The Secondary bond market is the marketplace where investors can buy and sell bonds. A key difference compared to the primary market is that proceeds from the sale of bonds go to the counterparty, which could be an investor or a dealer, whereas in the primary market, money from investors goes directly to the issuer.

**There are various types of bonds traded in secondary market, whereas some of them are as follows:**

## Government Securitize:

A Government Security (G-Sec) is a tradeable instrument issued by the Central Government or the State Governments. Such securities are short term (usually called treasury bills, with original maturities of less than one year) or long term (usually called Government bonds or dated securities with original maturity of one year or more).

## Perpetual Bonds:

Perpetual bonds as the name suggests are perpetual in nature, and operate with 'no maturity date'. Only the issuer has the option of calling it back & the buyer of the bonds cannot sell it to the issuer before the call option is exercised by the issuer. These bonds are generally issued by large manufacturing companies or by banks to fund their long-term capital requirements.

## Tax-Free Bonds:

Central Government authorizes certain entities such as PFC, REC etc. to issue tax free, secured, redeemable, non convertible bonds. These bonds are benchmarked to the 10-year Government Security Bonds. Tax-free bonds generally have a long-term maturity of ten years or more. The government invests the money collected from these bonds in infrastructure and housing.

## Corporate Bonds:

Corporate bonds are issued by firms to raise capital to fund various expenditures. They are attractive to investors because they provide much higher yields than bonds issued by the government. However, this higher yield is accompanied by higher risk. Investment in corporate bonds comes primarily from pension funds, mutual funds, banks, insurance companies, and individual investors.

\*As per the availability

Source: MOFSL | Data as on 01st July 2024


# Thank You!

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Investment in securities market are subject to market risks, read all the related documents carefully before investing.

# Awards & Accolades



Voted as the top firm across multiple categories in the **Asiamoney Brokers Poll 2020 & 2019**



Inducted in the **'Hall of Fame'** at the 10th CNBC TV18 Financial Advisor Awards 2019



Wins the **'Best Broking Business of the Year 2018'** at the Money Control Wealth Creator Awards.



**'Best Performing Financial Advisor'** (Equity Broker) at the CNBC TV18 Financial Advisor Awards (5 Times)



**Best Brokerage House of the Year - (West Region)** at the MCX Awards 2018 & 2019



Motilal Oswal Financial Services features in **Forbes India Super 50**



Motilal Oswal Financial Services is now a **Fortune 500 (India) Company**



Wins award for innovation in Cross-Media Marketing at the Asia Pacific **Stevie® Awards**



**'Best Video Content in a traditional media'** Award in Financial Services Category at the VIDEA 2020 Video Mmedia Awards



Wins **'Brand of the Year'** at the CNBC TV18 India Business Leadership Awards 2018

