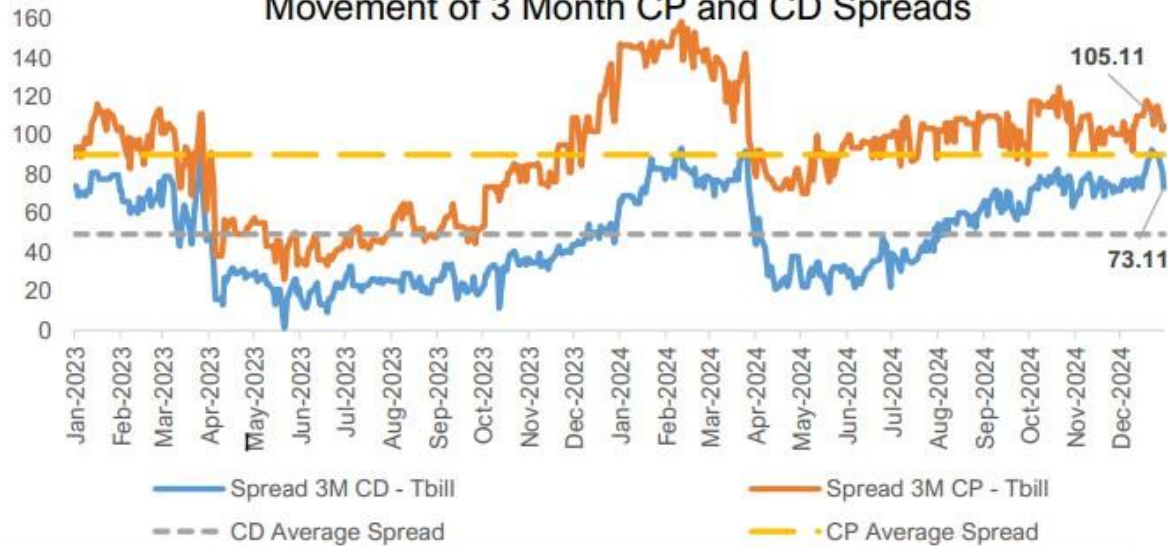
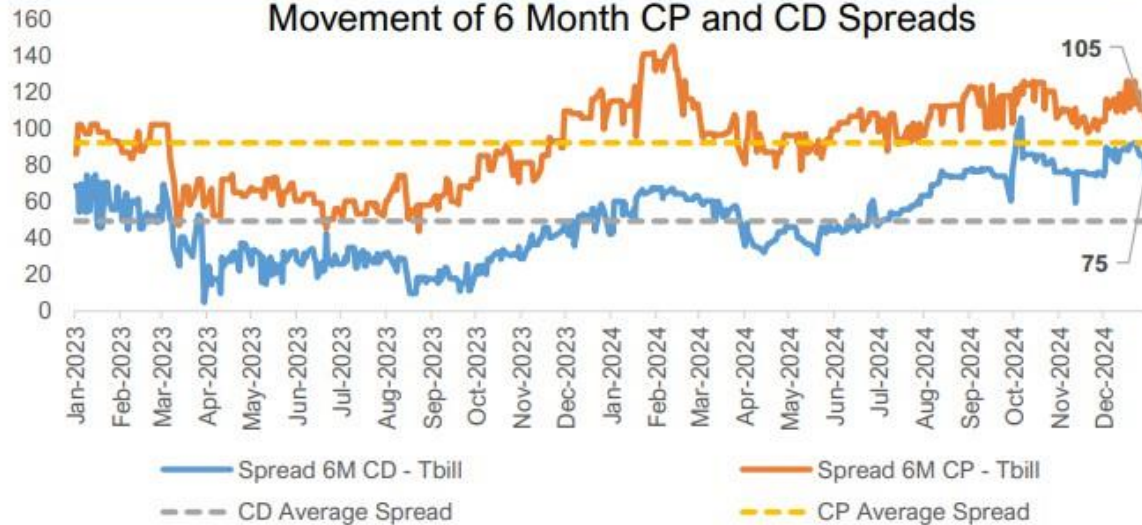


## MUTUAL FUNDS

Movement of 3 Month CP and CD Spreads



Movement of 6 Month CP and CD Spreads



- ❖ Banks faced pressure to mobilize funds over past year as credit growth outpaced deposit growth in tight liquidity environment. Credit - Deposit ratio has been hovering around 80% since Sep 2023.
- ❖ Banks increasingly turned to certificate of deposit (CDs) in short term to finance demand for credit.
- ❖ NBFCs took recourse to issuance of commercial papers (CPs) post RBI's decision to raise risk weights on bank loans.
- ❖ Banks CD mobilization rose 50% and CP mobilization rose 14% during FY 24 – 25 to Rs 8.65 lakh crores and Rs11.35 lakh crores
- ❖ Increase in supply of CP and CDs led to higher rates and T-bill rates have fallen leading to rise in money market spreads since mid 2024.
- ❖ The current spread are expanded at 73 - 75 bps with average spread ~50 bps for CD and ~105 bps with average spread ~ 90 bps for CPs.
- ❖ Considering elevated interest rate environment, widening spreads & absolute levels both continue to be attractive, offering better accrual for short tenor investments.
- ❖ **Aditya Birla Sun Life Funds are well positioned to take the advantage of market opportunities.**

Date: 06/01/2025

Source: ABSLAMC Research, Bloomberg, RBI, CareEdge; LKP Securities

Data – Bloomberg as on 31st December 2024

Spreads (in bps) : Money Market – T-bill yield, Average Spread from Jan 23 – Dec 24

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