

Debt Market Watch 16 May, 2022



Government Security Market Update:

Indian 10-year benchmark bond yields plunged 22 basis points in the last week from a high of 7.49 percent, mirroring the gains in US Treasury yields. A drop in US 10- year treasury yields to 2.86 from 3.20 and lower crude prices led to a steep rise in government securities prices. Brent crude oil, too, fell nearly three-fourth of a percentage point. During the week the five state governments raised Rs 10,700 crore for a tenor of 7 to 20 years in the range of 7.61 to 7.78 percent. The cut-off yields came at levels lower than average market expectations, reflecting a drop in the benchmark yield. In a Treasury bill auction the Reserve Bank of India sold 91; 182 & 364 DTB at a yield of 4.9538; 4.5292 & 5.9249 percent respectively. In a weekly scheduled auction the RBI sold 4.56% GOI 2023; 7.10% GOI 2029; 6.54% GOI 2032 & 6.95% GOI 2061 at a yield of 6.1533; 7.24; 7.3290 & 7.6317 percent respectively.

The yield on the 6.54% government bond due January 2032 fell to 7.3184% from last week level of 7.4507%

Global Debt Market Update:

The yield on the benchmark U.S 10-year Treasury note dropped nearly 5 basis points to 2.866% after rising to its highest level since 2018 earlier in the week. The yield on the U.S 30-year Treasury bond moved lower to 3.034% as the sell-off in equities continued, investors moved back into bonds in search of safety. April's consumer price index, released Wednesday, rose 8.3% year-on-year. That was higher than the anticipated 8.1% growth in inflation, but was below March's 8.5% CPI reading. The 10-year Treasury yield climbed back above 3% following the release of the report, but then eased back. Earlier, in the week the 10-year rises to the highest of 3.17% since November 2018 amid concerns of surging inflation pressures and slowing economic growth.

Bond Market Ahead:

India's headline retail inflation skyrocketed to an 8-year high of 7.79 percent in April against the Reuters poll of 7.50 percent. As it stands, it is now pretty much a given that the RBI MPC will follow up last week's rate action with a fresh rate hike in June. Given that the repo rate was lowered from 5.15 percent to a record low of 4 percent in 2020, it would require interest rates to be raised by another 75 basis points to reverse the pandemic – era rate cuts. But, given the magnitude of the surge in inflation and with hardening Brent crude oil and other commodities prices keeping upside risks to inflation elevated, markets are abuzz with speculation that the RBI MPC may have to raise rates by another 75 basis points going ahead. The rate hike will slow down the economic growth but the central bank need to step-in to rein the price pressure as the erosion of the purchasing price has started to exert a toll on economic growth as individuals realign spending patterns amid price hike in a wide range of consumer items. Currently, the demand for the G-sec is high amid the higher yield and some expectations are building up that the Reserve Bank of India will intervene from time to time to cool off the yield either through the secondary market purchase or can conduct Operation Twist.

Bond Strategy:

- Buy 6.54% GOI 2032 around 7.34/7.33 with a target of 7.24 and a stop loss of 7.37 percent.
- Buy 6.67% GOI 2035 around 7.47/48 with a target of 7.37 and a stop loss of 7.54 percent.
- Buy 10-year SDL which are trading at a Spread of 40 basis points to the 10-year benchmark yield.

(Source: Bloomberg, GEPL Capital Research)

Economic Calendar

DATA	DATE
German CPI Data	16-May-22
Thailand GDP Data	17-May-22
RBA Meeting Minutes	17-May-22
India WPI Data	17-May-22
EURO GDP Data	17-May-22
Italian CPI Data	17-May-22
US IIP Data	17-May-22
Japan GDP Data	18-May-22
GBP CPI Data	18-May-22
EURO CPI Data	18-May-22
RBI MPC Meeting Minutes	18-May-22
Canada CPI Data	18-May-22
Philippines Interest rate Decision	18-May-22
US Job claims Data	18-May-22
Japan CPI Data	20-May-22
Switzerland IIP Data	20-May-22

(Source: Bloomberg)

Economic Indicator

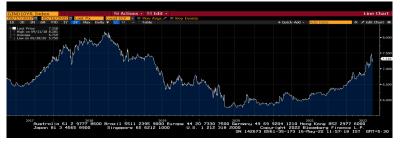
Particulars	13-May-22	06-May-22	Change
5 Year Indian Govt. Bond(%)	6.99	7.19	-0.20
10 Year Indian Govt. Bond(%) (6.54% GS 2032)	7.32	7.45	-0.13
15 Year Indian Govt. Bond(%)	7.47	7.64	-0.17
Call Money Market (%)	3.5	2.5	1.00
Brent Crude Oil (in Dollar/barrel)	111.55	113.22	-1.67
US 10 Year Treasury (%)	2.81	3.14	-0.33
UK 10 Year Treasury (%)	1.74	2.02	-0.28
Rs. vs Dollar	77.72	76.95	0.77
FOREX Reserves with RBI (in Dollar/bn)	595.95	597.73	-1.78

Policy Rates

Repo Rate	4.00%
Reverse Repo Rate	3.35%
CRR	4.00%

— Adverse + Favour (Source: Bloomberg/www.rbi.org.in)

DATA	Apr 2022 (released on 12-May-2022)	March-2022 (released on 12-April-2022)	Change
CPI DATA (%) (Monthly)	7.79	6.95	0.84
DATA	March-2022 (released on 12-May-2022)	Feb-2022 (released on 12-April-2022)	Change
IIP DATA (Monthly)	1.9	1.7	0.20



Yield Outlook for the week

The 10 year Benchmark 6.54% GS 2032 likely to move in the range of 7.24% to 7.34% (GEPL Capital Research)

Interest Rate Futures

IRF OPEN INTEREST	「(w.o.w)			
Security	Contract	12-May-22	05-May-22	Change
6.10% GOI 2031	26-May-2022	32891	36499	-3608
IRF PRICE (w.o.w)				
Security	Contract	12-May-22	05-May-22	Change
6.10% GOI 2031	26-May-2022	91.75	90.80	0.95

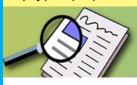
(GEPL Capital Research)

Auction Scheduled For The Week

Date	Instrument	Expected Security	Nature of Flow	Amount (Cr)
17-May-22	SDL	3 States	Auction	8,500
18-May-22	T-Bills	91 DTB	Auction	13,000
18-May-22	T-Bills	182 DTB	Auction	12,000
18-May-22	T-Bills	364 DTB	Auction	8,000
20-May-22	G-Sec	5.74% GS 2026	Auction	9,000
20-May-22	G-Sec	GOI FRB 2034*	Auction	4,000
20-May-22	G-Sec	NEW GS 2036	Auction	10,000
20-May-22	G-Sec	6.99% GS 2051	Auction	9,000

(Source: www.rbi.org.in)

www.geplcapital.com Debt Desk: Deepak Panjwani +91 22 6618 2352 deepak@geplcapital.com



Debt Market Watch 16 May, 2022



Name	Designation	Certification	Email	Contact
Deepak Panjwani	Head – Debt Market	MBA - Finance & Marketing	deepak@geplcapital.com	91 (22) 6618 2352

I, Mr. Deepak Panjwani (Head - Debt Market of GEPL Capital), having Education Qualification MBA - Finance & Marketing, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I, also certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Disclosure:

This document has been prepared by Research Department of GEPL Capital Pvt. Ltd. (hereinafter referred to as GEPL) and this report is for personal information of the selected recipient/s and does not construe to be any investment, recommendation, prospectus, offering circular or legal or taxation advice to you. This research report does not constitute an offer, invitation or inducement to invest in securities or other investments and GEPL is not soliciting any action based upon it. This report is not for public distribute and as been furnished to you solely for your general information and should not be reproduced or redistributed to any other person in any form. This report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, investors should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. GEPL makes no representation or warranty, express or implied, as to, and does not accept any responsibility or bligation with respect to, the fairness, accuracy, completeness or correctness of any information or update information or opinions contained herein.

All investments including Future and Options are involving risks and investors should exercise prudence in making their investment decisions. The report should not be regarded by the recipients as a substitute for the exercise of their own judgment. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or GEPL as a result of using different assumptions and criteria. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report.

The information contained in this report has been obtained from sources that are considered to be reliable. However, GEPL has not independently verified the accuracy or completeness of the same. Neither GEPL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

GEPL and its affiliates and/or their officers, directors and employees may have similar position in any securities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such securities (or investment. GEPL specifically prohibits the redistribution of this material in whole or in part without the written permission of GEPL and GEPL accepts no liability whatsoever for the actions of third parties in this regard. GEPL or its director or its research analysts or its associates or his relatives and/or its affiliates and/or employees do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

Disclaimers in respect of jurisdiction:

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such Distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject GEPL its affiliates to any registration or licensing requirement within such jurisdiction. If this report is inadvertently send or has reached any individual the same may be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published for any purposes without prior written approval of GEPL.

Analyst Certification:

The views expressed in this research report reflect the personal views of the analyst(s) about the subject securities or issues. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months.

GEPL Capital Private Limited is a SEBI registered Research Analyst entity bearing SEBI Reg. No. "INH000000081" under SEBI (Research Analysts) Regulations, 2014.

Reg./Corp. Office: D-21 Dhanraj Mahal, CSM Marg, Colaba, Mumbai 400 001 Contact No +91 22 66182400

SEBI Reg.No. NSE/NSEF&O/CD - INB230993934, INF230993934 & INE230993934. BSE/BSE F&O-INB010993934 & INF010993934, INF01099394, INF010994, INF010

For more information visit us at : : www.geplcapital.com

For research related queries email at $\underline{\text{research@geplcapital.com}}$

www.geplcapital.com Debt Desk : Deepak Panjwani +91 22 6618 2352 deepak@geplcapital.com