

Debt Market Watch

23 May, 2022

One Stop Investment Avenue



Government Security Market Update :

Global long-term bond investors have invested a net \$1.06 billion into Indian bonds so far in May. The funds have come through the Voluntary Retention Route (VRR), a dedicated window where investors are mandated a minimum ownership of three years. India's two-year sovereign rupee-denominated bonds are yielding the highest in the Asia Pacific region, outpacing those in Indonesia, China and South Korea. While the yields in India are at 6.21%, it is 6.04% in Indonesia, 2.22% in China and 2.76% in South Korea (all local currency papers), according to Bloomberg data compiled by ETIG. The 10-year benchmark moved in the corridor of 8 bps in the week and after the weekly auction the market give up the gain and closed at 7.36 percent. During the week the three states sold 5-10 years loan in the range of 7.46 to 7.70 percent. In a Treasury bill auction the RBI sold 91; 182 & 364 DTB at a yield of 4.9127; 5.43 & 5.92 percent respectively. In a weekly auction the Reserve Bank of India sold 5.74% GOI 2026; GOI FRB 2034; New GS 2036 & 6.99% GOI 2051 at a yield of 7.1105; 6.4072; 7.54 & 7.6293 percent respectively.

The yield on the 6.54% government bond due January 2032 rose to 7.3589% from last week level of 7.3184%

Global Debt Market Update:

The yield on the benchmark US 10-year Treasury note fell 7 basis points to 2.788%. The yield on the 30-year Treasury note moved 7 basis points lower to 2.991%. The 10-year yield started the week at about 2.90%. Treasury yields dropped Friday, continuing a trend of falling rates this week in the face of rising recession fears. The Dow Jones Industrial Average posted its eighth-straight negative week as investors feared an imminent recession. That's led investors to seek a safe haven in Treasury's, pushing bond prices higher and yields lower. Inflation has already weighed on investor sentiment for some time, but earnings from retailers this week has sparked concerns that pricing pressures are starting to now take a toll on consumer spending and economic growth.

Bond Market Ahead:

Central banks are wrestling with inflation and sliding stocks and surging bond yields are feeling the heat. New Zealand and South Korean central banks ponder how big their rate hikes need to be to keep up with the Fed. And Washington holds the key to a Russian sovereign default as a key deadline approach. Having raised rates by 75 basis points since March, the Fed is expected to hike another 50 bps in July. Powell has vowed to raise rates as high as needed to tame inflation. The minutes which is to be released on May 25, will show how tenacious policy makers expect inflation to be and whether growth is resilient enough to face much tighter monetary policy. Indian Central Bank's move on monetary policy to be watched carefully as the latest minutes released indicated further tightening is on card in June and in the future policies to the tune of another 75 bps in FY 23. The Reserve Bank of New Zealand is widely seen raising rates by a half-point again on Wednesday to tame inflation, though risks to the economy are rising with recent homebuyers feeling the pain of higher mortgage rates. Korea's new central bank governor roiled markets by flagging a half-point increase before his maiden meeting on Thursday. Falling behind the curve could squeeze the fragile won, sending imported food and energy prices soaring .

Bond Strategy:

- Buy 6.54% GOI 2032 around 7.37/7.38 with a target of 7.32 and a stop loss of 7.42 percent.
- Buy 7.54% GOI 2036 around 7.55 with a target of 7.50 and a stop loss of 7.58 percent..
- Buy 6.67% GOI 2035 around 7.54/55 with a target of 7.48 and a stop loss of 7.59 percent.

.(Source: Bloomberg, GEPL Capital Research)

Economic Calendar

DATA	DATE
Singapore CPI Data	23-May-2022
Hongkong CPI Data	23-May-2022
Brazil CPI Data	24-May-2022
Singapore GDP Data	25-May-2022
New Zealand Interest Rate Decision	25-May-2022
Malaysian CPI Data	25-May-2022
German GDP Data	25-May-2022
FOMC Meeting Minutes	25-May-2022
South Korean Interest Rate Decision	26-May-2022
Thailand IIP Data	26-May-2022
Singapore IIP Data	26-May-2022
U.S GDP Data	26-May-2022
U.S Jobless Claims	26-May-2022
Tokyo CPI Data	27-May-2022

(Source: Bloomberg)

Economic Indicator

Particulars	20-May-22	13-May-22	Change
5 Year Indian Govt. Bond(%)	7.08	6.99	0.09
10 Year Indian Govt. Bond(%) (6.54% GS 2032)	7.36	7.32	0.04
15 Year Indian Govt. Bond(%)	7.53	7.47	0.06
Call Money Market (%)	3.30	3.5	-0.2
Brent Crude Oil (in Dollar/barrel)	112.04	111.55	0.49
US 10 Year Treasury (%)	2.79	2.81	-0.02
UK 10 Year Treasury (%)	1.89	1.74	0.15
Rs. vs Dollar	77.82	77.72	0.10
FOREX Reserves with RBI (in Dollar/bn)	593.28	595.95	-2.67

Policy Rates

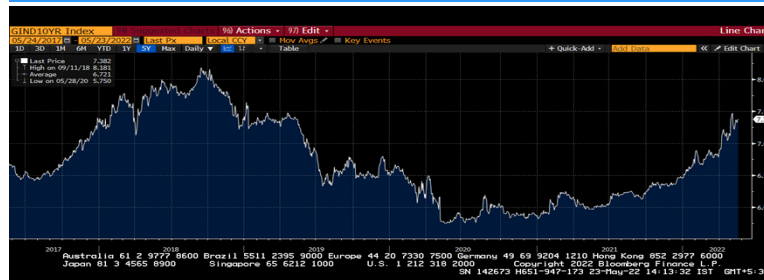
Repo Rate	4.40%
Reverse Repo Rate	3.35%
CRR	4.50%

— 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 7.32% to 7.38% (GEPL Capital Research)

Interest Rate Futures

IRF OPEN INTEREST (w.o.w)				
Security	Contract	20-May-22	12-May-22	Change
6.10% GOI 2031	26-May-2022	33048	32891	157

IRF PRICE (w.o.w)				
Security	Contract	20-May-22	12-May-22	Change
6.10% GOI 2031	26-May-2022	91.54	91.75	-0.21

(GEPL Capital Research)

Auction Scheduled For The Week

Date	Instrument	Expected Security	Nature of Flow	Amount (Cr)
24-May-22	SDL	7 States	Auction	13,900
25-May-22	T-Bills	91 DTB	Auction	13,000
25-May-22	T-Bills	182 DTB	Auction	12,000
25-May-22	T-Bills	364 DTB	Auction	8,000
27-May-22	G-Sec	4.56% GOI 2023	Auction	4,000
27-May-22	G-Sec	7.10% GOI 2029	Auction	7,000
27-May-22	G-Sec	NEW 10 Year GS 2032	Auction	13,000
27-May-22	G-Sec	6.95% GS 2061	Auction	9,000

(Source: www.rbi.org.in)



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