

Debt Market Watch

18 July, 2022



Government Security Market Update :

India's benchmark 10-year bond yield rose to 7.43% in a reaction to the U.S. inflation number and expectations that the Fed will act aggressively to the latest CPI numbers of 9.10%. The Indian rupee weakened to hit record lows against the greenback, the dollar resumed its relentless rise, driven by both expectations for faster policy tightening by the Federal Reserve and safe-haven flows as fears of a recession grow. During the week seven states sold 9-20 years loan in the range of 7.78 to 7.97 percent and in a weekly Treasury bill auction the RBI sold 91; 182 & 364 DTB at a yield of 5.2401; 5.7453 & 6.1750 percent respectively. In a weekly auction the RBI partially devolved the GOI FRB 2028 to the amount of Rs.2949.619 crore on the Primary Dealers at a yield of 6.8891% and sold other securities 7.38% GS 2027; 7.54% GS 2036 & 6.99% GS 2051 at a yield of 7.1651; 7.6209 & 7.7595 percent respectively.

The yield on the 6.54% government bond due January 2032 rose to 7.4381% from last week level of 7.4149% .

Global Debt Market Update:

The U.S. 2-year yield, was last down nearly 2 basis points to 3.124%. The yield on the benchmark 10-year Treasury note fell 3 basis points to 2.926% as the gap between the 2-year and 10-year yields shrunk Friday but remained inverted as stocks popped and traders weighed the possibility that the U.S. Federal Reserve will hike interest rates by 75 basis points at its next meeting, not 100 basis points. U.S. Treasury yields were modestly lower on Friday as the market sought direction on the Federal Reserve's tightening path amid economic data pointing to lower inflation expectations and resilient consumer sales. Data released on Thursday showed that U.S. wholesale prices surged in June, signaling that inflation spread deeply into the economy. The increase in wholesale prices over the past 12 months rose to 11.3% from 10.9%, the government said. Just a year and a half ago, prices were rising at a less than 2% pace. On a monthly basis, the cost of wholesale goods and services jumped 1.1% in June. U.S. June consumer prices rose to 9.1% in June was higher than forecast and showed inflation running at its fastest pace in almost 41 years.

Bond Market Ahead:

Stubbornly high inflation data in U.S. sparked concerns that the central bank may increase rates by a supersized 100 basis points, but both Fed Governors Christopher Waller and St. Louis Fed President James Bullard said on Thursday they supported another 75 basis points rate increase at July's Federal Open Market Committee (FOMC) policy meeting. The traders have priced in a 75 basis points rate hike at the Fed policy meeting scheduled for July 26-27, odds of a 100 basis points rate hike have grown recently. A closely watched part of the curve, measuring the spread between yields on two- and 10-year Treasury notes, extended its inversion moderately on Friday to 19.9 basis points from 17.5 basis points. The inversion of that part of the curve, widely seen as a precursor of a recession, earlier this week expanded to as much as 27.6 basis points, the most since September 2000. Indian market will be closely monitoring the yield movement in the U.S. and other European countries and will also look after the oil prices as it having a direct repercussion on the inflation basket.

Bond Strategy:

- Buy 6.54% GOI 2032 around 7.44/7.45 with a target of 7.37 and a stop loss of 7.50%
- Buy 7.54% GOI 2036 around 7.64/65 with a target of 7.59 and a stop loss of 7.69% (Source: Bloomberg, GEPL Capital Research)

Economic Calendar

DATA	DATE
New Zealand CPI Data	18-July-2022
RBA Meeting Minutes	19-July-2022
Euro CPI Data	19-July-2022
GBP CPI Data	20-July-2022
South African CPI Data	20-July-2022
Canada CPI Data	20-July-2022
Bank of Japan Interest Rate Decision	21-July-2022
Hong kong CPI Data	21-July-2022
ECB Interest Rate Decision	21-July-2022
U.S Jobless claims	21-July-2022
South African Interest Rate Decision	21-July-2022
Japan CPI Data	22-July-2022
Malaysian CPI Data	22-July-2022

(Source: Bloomberg)

Economic Indicator

Particulars	15-Jul-22	08-Jul-22	Change
5 Year Indian Govt. Bond(%)	7.02	7.06	-0.04
10 Year Indian Govt. Bond(%) (6.54% GS 2032)	7.44	7.41	0.03
15 Year Indian Govt. Bond(%)	7.58	7.55	0.03
Call Money Market (%)	5.05	4.85	0.2
Brent Crude Oil (in Dollar/barrel)	101.13	106.48	-5.35
US 10 Year Treasury (%)	2.93	3.09	-0.16
UK 10 Year Treasury (%)	2.1	2.23	-0.13
Rs. vs Dollar	79.72	79.29	0.43
FOREX Reserves with RBI (in Dollar/bn)	580.25	588.31	-8.06

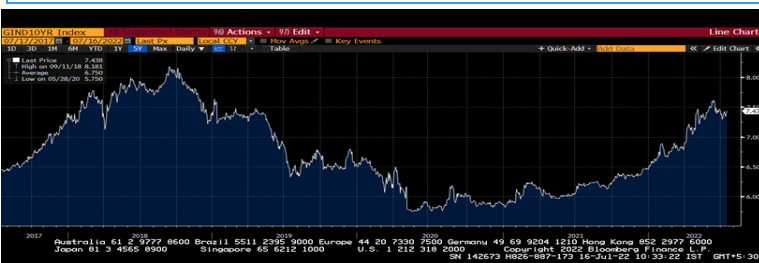
Policy Rates

Repo Rate	4.90%
Standing Deposit Facility Rate	4.15%
CRR	4.50%
Reverse Repo Rate	3.35%

— Adverse + Favour

(Source: Bloomberg/www.rbi.org.in)

DATA	June 2022 (released on 12-July -2022)	May 2022 (released on 13-June -2022)	Change
CPI DATA (%) (Monthly)	7.01	7.04	-0.03
DATA	May -2022 (released on 12-July-2022)	April-2022 (released on 13-June-2022)	Change
IIP DATA (Monthly)	19.6	7.1	12.5



Yield Outlook for the week

The 10 year Benchmark 6.54% GS 2032 likely to move in the range of 7.37% to 7.45% (GEPL Capital Research)

Interest Rate Futures

IRF OPEN INTEREST (w.o.w)				
Security	Contract	15-July-22	08-July-22	Change
6.10% GOI 2031	28-July-2022	9196	7015	2181
IRF PRICE (w.o.w)				
Security	Contract	15-July-22	08-July-22	Change
6.10% GOI 2031	28-July-2022	91.07	91.35	-0.28

(GEPL Capital Research)

Auction Scheduled For The Week

Date	Instrument	Expected Security	Nature of Flow	Amount (Cr)
18-July-22	G-Sec	7.37% GS 2023 to 7.95% GS 2032 ; 7.37% GS 2023 to 7.73% GS 2034; 7.16% GS 2023 to 6.68% GS 2031; 8.83% GS 2023 to 8.24%GS 2033; 7.32% GS 2024 to 7.88% GS 2030; FRB 2024 to 7.10% GS 2029	Conversion	13,000
19-July-22	SDL	9 States	Auction	12,340
20-July-22	T-Bills	91 DTB	Auction	9,000
20-July-22	T-Bills	182 DTB	Auction	7,000
20-July-22	T-Bills	364 DTB	Auction	5,000
22-July-22	G-Sec	6.69% GOI 2024	Auction	4,000
22-July-22	G-Sec	7.10% GS 2029	Auction	7,000
22-July-22	G-Sec	New 10 Year GS 2032	Auction	13,000
22-July-22	G-Sec	6.95% GOI 2061	Auction	9,000

(Source: www.rbi.org.in)



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One Stop Investment Avenue



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