



Debt Market Watch

29 August, 2022



Government Security Market Update :

With the buzz of the India's inclusion to the JPMorgan Emerging Markets Bond Index the bond market rallied sharply on Friday. The benchmark bond closed at 7.21% Friday versus 7.29% a day earlier on expectations of a higher demand for securities. India's bond market is one of the largest in the emerging market pack with a market size of around \$1 trillion. Capital controls clubbed with market access and operational issues have thwarted any move for including India in global bond indices. During the week the five states sold 10 to 24 years loan in the range of 7.65 to 7.76 percent and in the Treasury bill auction the Reserve Bank of India sold 91; 182 & 364 DTB at a yield of 5.5998; 5.9896 & 6.7201 percent respectively. In a weekly auction the RBI once again rejected the bids for the GOI FRB maturing in 2028 and sold 7.38% GS 2027; 7.54% GS 2036 & 6.99% GS 2051 at a yield of 6.9912; 7.3846 & 7.5467 percent respectively. The yield on the 6.54% government bond due January 2032 fell to 7.2173% from last week level of 7.2639% .

Global Debt Market Update:

U.S. two-year Treasury yields briefly popped to their highest levels since October 2007 before stabilizing near two-month highs Friday after Federal Reserve Chairman Jerome Powell reiterated that the central bank will continue to raise interest rates to fight inflation. The two-year U.S. Treasury yield, which typically moves in step with interest rate expectations, was up 4.9 basis points at 3.423%, slightly below its high for the year of 3.4350% in June. The rise in short-term interest rates further inverted the yield curve, which is often looked at as a signal of an upcoming recession. The closely-watched gap between yields on two- and 10-year Treasury notes was at -36.9 basis points, compared to -31.3 basis points before Powell's speech. The yield on 10-year Treasury notes was up 2.2 basis points to 3.046%, while the yield on the 30-year Treasury bond was up 1.2 basis points to 3.246%.

Bond Market Ahead:

The buzz for listing Indian bond on the global index has gone louder as Russia now removed from the index and India's bond market is one of the largest in the emerging market pack with a market size of around \$1 trillion. Capital controls clubbed with market access and operational issues have thwarted any move for including India in global bond indices. The market will get momentum further if foreign portfolio investors show interest in Indian bonds without the need of Euroclear settlement. Euroclear, a global bond settlement platform, operates in 49 countries. Unlike India, none of them have capital gain tax on bond transactions. The market will also track the movement in the U.S. Treasury market, if the 10 year Treasury yield falling below 2.97 percent the yield will fall further to 2.88 percent and that will bring the movement in the Indian bond market and 10-year benchmark can fall towards 7.12 percent.

Bond Strategy:

- Buy 7.26% GOI 2032 around 7.24/25 with a target of 7.16 and a stop loss of 7.28 percent.
- Buy 6.54% GOI 2032 around 7.24/25 with a target of 7.17 and a stop loss of 7.30 percent.

Bloomberg, GEPL Capital Research)

Economic Calendar

DATA	DATE
Vietnamese CPI Data	29-Aug-2022
Malaysian CPI Data	29-Aug-2022
Swedish GDP Data	29-Aug-2022
Spanish CPI Data	30-Aug-2022
Belgium CPI Data	30-Aug-2022
German CPI Data	30-Aug-2022
South Korean IIP Data	30-Aug-2022
Japan IIP Data	30-Aug-2022
Thailand IIP Data	30-Aug-2022
French GDP & CPI Data	30-Aug-2022
Portuguese CPI & GDP Data	30-Aug-2022
Italian CPI Data	30-Aug-2022
Belgian GDP Data	30-Aug-2022
Indian GDP Data (Quarterly)	30-Aug-2022
Italian GDP Data	01-Sept-2022
Brazil GDP Data	01-Sept-2022
U.S Jobless Claims	01-Sept-2022
Brazil IIP Data	02-Sept-2022
India's Import & Exports Data	02-Sept-2022
Irish GDP Data	02-Sept-2022

(Source: Bloomberg)

Economic Indicator

Particulars	26-Aug-22	19-Aug-22	Change
5 Year Indian Govt. Bond(%)	6.86	6.83	0.03
10 Year Indian Govt. Bond(%) (6.54% GS 2032)	7.22	7.26	-0.04
15 Year Indian Govt. Bond(%)	7.3	7.36	-0.06
Call Money Market (%)	4.4	4.95	-0.55
Brent Crude Oil (in Dollar/barrel)	99.01	96.09	2.92
US 10 Year Treasury (%)	3.04	2.98	0.06
UK 10 Year Treasury (%)	2.61	2.43	0.18
Rs. vs Dollar	79.97	79.92	0.05
FOREX Reserves with RBI (in Dollar/bn)	564.05	570.74	-6.69

Policy Rates

Repo Rate	5.40%
Standing Deposit Facility Rate	5.15%
CRR	4.50%
Reverse Repo Rate	3.35%

— Adverse + Favour

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

DATA	July 2022 (released on 12-Aug-2022)	June 2022 (released on 12-July -2022)	Change
CPI DATA (%) (Monthly)	6.71	7.01	-0.3
DATA	June -2022 (released on 12-Aug-2022)	May -2022 (released on 12-July-2022)	Change
IIP DATA (Monthly)	12.3	19.6	7.3



Yield Outlook for the week

The 10 year Benchmark 6.54% GS 2032 likely to move in the range of 7.16% to 7.25% *(GEPL Capital Research)*

Interest Rate Futures

IRF OPEN INTEREST (w.o.w)				
Security	Contract	26-Aug-22	19-Aug-22	Change
6.10% GOI 2031	29-Sept-2022	2010	10693	-8683
IRF PRICE (w.o.w)				
Security	Contract	26-Aug-22	19-Aug-22	Change
6.10% GOI 2031	29-Sept-2022	92.59	92.56	0.03

(GEPL Capital Research)

Auction Scheduled For The Week

Date	Instrument	Expected Security	Nature of Flow	Amount (Cr)
29-Aug-22	SDL	6 States	Auction	14,000
30-Aug-22	T-Bills	91 DTB	Auction	9,000
30-Aug-22	T-Bills	182 DTB	Auction	7,000
30-Aug-22	T-Bills	364 DTB	Auction	5,000
02-Sept-22	G-Sec	6.69% GS 2024	Auction	4,000
02-Sept-22	G-Sec	7.10% GS 2029	Auction	7,000
02-Sept-22	G-Sec	7.26% GS 2032	Auction	13,000
02-Sept-22	G-Sec	6.95% GOI 2061	Auction	9,000

(Source: www.rbi.org.in)



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One Stop Investment Avenue



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

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

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