

Debt Market Watch

05 September, 2022

One Stop Investment Avenue



Government Security Market Update

The benchmark 10-year Indian government bond yield ended at 7.2318%. The yield rose two basis points on Thursday to end at 7.2146%. The 10-year 7.26% 2032 bond yield ended at 7.2135% after ending at 7.1859% on Thursday. The movement in the U.S. Treasury market was followed by the Indian market but aggressive cut off in the weekly sales and partial devolvement of 7.10% GS 2029 pushed the yield lower after the auction result The Reserve Bank of India devolved 7.10% GS 2029 to the tune of Rs. 2,534.931 Crore on the Primary Dealers at a yield of 7.1632 percent and sold other securities 6.69% GS 2024; 7.26% GS 2032 & 6.95% GS 2061 at a yield of 6.6883; 7.2195 & 7.4993 percent respectively. Earlier in the week six states sold 8 to 20 years loan in the range of 7.53 to 7.7270 percent and in the Treasury bill auction the cut-off for 91; 182 & 364 DTB came at 5.6341; 6.0890 & 6.3199 percent respectively.

The yield on the 6.54% government bond due January 2032 fell to 7.2318% from last week level of 7.2173% .

Global Debt Market Update:

U.S. employers hired more workers than expected in August, but moderate wage growth and a rise in the unemployment rate to 3.7% suggested the labor market was starting to loosen, raising cautious optimism that the Federal Reserve could slow the economy without triggering a recession. The Labor Department's closely watched employment report on Friday, which also showed 107,000 fewer jobs created in June and July than initially estimated, did not decisively settle the debate on whether the U.S. central bank would deliver a third 75 basis point or half-a-percentage point rate hike at its policy meeting this month. The increase in the unemployment rate to a six-month high came as nearly 800,000 people entered the labor market, driving the size of the labor force to a record high. The labor market remains strong, underscoring the economy's resilience despite gross domestic product contracting in the first half of 2022. Earlier in the week the 2-year Treasury yield hit a nearly 15-year high on Thursday. Meanwhile, the 10-year Treasury yield jumped 12 basis points to 3.257%, and the yield on the 30-year Treasury bond rose 11 basis points to 3.37%.

Bond Market Ahead:

The Q1 Growth engine in India turned out lower than expected and the US Federal Reserve's decision on interest rates later this month could influence the pace of the RBI MPC in future. India's GDP grew 13.50% from a year ago during the first quarter below RBI's projection of 16.2%. The RBI MPC likely to continue with another 60 basis points hike in the repo rate in the next two meets and later they may pause, the meeting is scheduled for September 30. The main global data points that will be watched are US non-farm payroll figures, CPI and the Fed decision while the domestic indicators will be India's Consumer Price Index (CPI) data which is to be released on September 12. The buzz for inclusion of the Indian Bonds to the global index is getting louder and expected to get finalized much before the plan and the demand for the bonds likely to pick up and the 10-year benchmark (7.26% GS 2032) likely to move towards 7.12 percent shortly. Even, the US 10-year benchmark is likely to head towards 3.07 percent from 3.20 percent as the anticipation for the quantum of rate hike will be lower and the continued inverted yield curve is pointing towards the recession in the US and European countries.

Bond Strategy:

- Buy 7.26% GOI 2032 around 7.22/23 with a target of 7.17 and a stop loss of 7.27%
- Buy 6.54% GOI 2032 around 7.24/25 with a target of 7.19 and a stop loss of 7.30%
Bloomberg, GEPL Capital Research)

Economic Calendar

DATA	DATE
Thailand CPI Data	05-Sept-2022
Swiss GDP Data	05-Sept-2022
OPEC Meeting	05-Sept-2022
Philippines CPI Data	06-Sept-2022
Australia RBA Interest Rate Decision	06-Sept-2022
South African GDP Data	06-Sept-2022
Australian GDP Data	07-Sept-2022
Germany GDP & IIP Data	07-Sept-2022
Swedish IIP Data	07-Sept-2022
Greek GDP Data	07-Sept-2022
Bank of Canada Interest Rate Decision	07-Sept-2022
Japan GDP Data	08-Sept-2022
Irish CPI Data	08-Sept-2022
ECB Interest Rate Decision	08-Sept-2022
U.S Jobless Claims	08-Sept-2022
China CPI Data	09-Sept-2022
Malaysian IIP Data	09-Sept-2022
French IIP Data	09-Sept-2022
Spanish IIP Data	09-Sept-2022
India's Forex Reserves Data	09-Sept-2022
Brazil CPI Data	09-Sept-2022

(Source: Bloomberg)

Economic Indicator

Particulars	02-Sep-22	26-Aug-22	Change
5 Year Indian Govt. Bond(%)	6.89	6.86	0.03
10 Year Indian Govt. Bond(%) (6.54% GS 2032)	7.23	7.22	0.01
15 Year Indian Govt. Bond(%)	7.3	7.3	-
Call Money Market (%)	5.3	4.4	0.9
Brent Crude Oil (in Dollar/barrel)	93.28	99.01	-5.73
US 10 Year Treasury (%)	3.2	3.04	0.16
UK 10 Year Treasury (%)	2.92	2.61	0.31
Rs. vs Dollar	79.72	79.97	-0.25
FOREX Reserves with RBI (in Dollar/bn)	561.05	564.05	-3

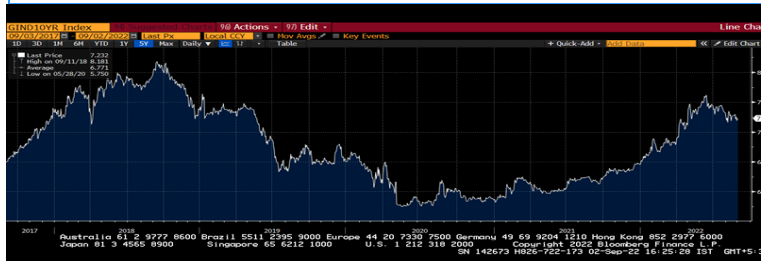
Policy Rates

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 Indian 10 year Benchmark likely to move in the range of 7.17% to 7.24%
(GEPL Capital Research)

Interest Rate Futures

IRF OPEN INTEREST (w.o.w)				
Security	Contract	02-Sept-22	26-Aug-22	Change
6.10% GOI 2031	29-Sept-2022	1945	2010	-65
IRF PRICE (w.o.w)				
Security	Contract	02-Sept-22	26-Aug-22	Change
6.10% GOI 2031	29-Sept-2022	92.78	92.59	0.19

(GEPL Capital Research)

Auction Scheduled For The Week

Date	Instrument	Expected Security	Nature of Flow	Amount (Cr)
06-Sept-22	SDL	6 States	Auction	5,900
07-Sept-22	T-Bills	91 DTB	Auction	9,000
07-Sept-22	T-Bills	182 DTB	Auction	7,000
07-Sept-22	T-Bills	364 DTB	Auction	5,000
09-Sept-22	G-Sec	7.38% GS 2027	Auction	9,000
09-Sept-22	G-Sec	GOI FRB 2028	Auction	4,000
09-Sept-22	G-Sec	7.54% GS 2036	Auction	11,000
09-Sept-22	G-Sec	6.99% GOI 2051	Auction	8,000

(Source: www.rbi.org.in)



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