

Debt Market Watch

12 September, 2022



Government Security Market Update :

The Indian 10-year 7.26% 2032 bond yield ended at 7.1143%, after closing at 7.0789% on Thursday, and fell 10 bps this week as lower oil prices and bets of index inclusion continue to support buying. Bond yields, however, ended higher tracking elevated U.S. Treasury yields and on profit-booking. During the week six states sold 8-20 years loan in the range of 7.45 to 7.58 percent and in the Treasury bill auction the Reserve Bank of India sold 91; 182 & 364 DTB at a yield of 5.6287; 6.0999 & 6.3378 percent respectively. In a weekly auction the RBI sold new 2052 security at a yield of 7.36% and sold 7.38% GS 2027 & 7.54% GS 2036 at a yield of 6.9514 & 7.2874 percent respectively. Once again the RBI rejected the bids for the 2028 Floating rate bonds in the auction The yield on the 7.26% government bond due August 2032 fell to 7.1143% from last week level of 7.2318% .

Global Debt Market Update:

Yields on U.S. Treasury bonds were little changed on Friday after moving upward in the previous session following the European Central Bank's interest rate hike. The yield on the benchmark 10-year Treasury note was two basis points higher at 3.317%, while the yield on the 30-year Treasury bond was one basis point higher at 3.456%. The yield on the 2-year note was trading at 3.561%. The short-term note rose to 3.55% last week, reaching its highest level since 2007. Yields had ticked upward after the European Central Bank on Thursday hiked interest rates by 75 basis points, raising its deposit rate to 0.75% from zero in a largely expected hawkish move to counter fast-rising inflation. The yield curve inverted further on Friday as investors waited on key inflation data for August due on Tuesday, after Federal Reserve Chairman Jerome Powell reiterated that the U.S. central bank's priority is to tackle soaring price pressures. The yield curve between two-year and 10-year notes flattened by 3 basis points to minus 23 basis points. The inversion is viewed as a reliable indicator that a recession is likely in the next one to two years.

Bond Market Ahead:

The buzz for listing Indian bonds to the global index is getting louder and as per the latest report of the JP Morgan, the Indian bonds may get listed to the JP Morgan's Emerging market bond index as early as by September 15. Global oil prices dropped this week on worries that central banks' aggressive rate hikes and China's COVID-19 curbs would hurt demand. The benchmark Brent crude contract eased to its lowest level in more than seven months and was 2.3% down for the week at \$90.85 per barrel. Falling oil prices could help India bring down its inflation as the country is a major importer of the commodity. Further, the market will be waiting for the Consumer Price Index (CPI) data which is to be released on Monday after market hours. A Reuters poll of economists predicts the reading to rise to 6.90% from 6.71% in July. The US inflation data to be released on Tuesday, Consumer Price Index (CPI) will be evaluated for any signs that price pressures may be easing. It is expected to show that prices rose at an 8.1% pace over the year in August, compared with an 8.5% print for July. The data will come during a blackout period for Fed officials, which begins on Saturday. The Fed is expected to hike rates by another 75 basis points at its Sept. 20-21 meeting. Even if price pressures come in below expectations, analysts see it as unlikely to sway the Fed from its path.

Bond Strategy:

- Buy 7.26% GOI 2032 around 7.14/15 with a target of 7.09 and a stop loss of 7.18%
- Buy 7.54% GOI 2036 around 7.33/34 with a target of 7.26 and a stop loss of 7.38%.

Bloomberg, GEPL Capital Research)

Economic Calendar

DATA	DATE
GBP IIP& GDP Data	12-Sept-2022
Spanish IIP Data	12-Sept-2022
Italian IIP Data	12-Sept-2022
Portuguese CPI Data	12-Sept-2022
India's IIP & CPI Data	12-Sept-2022
German CPI Data	13-Sept-2022
Spanish CPI Data	13-Sept-2022
OPEC Monthly Report	13-Sept-2022
U.S CPI Data	13-Sept-2022
GBP CPI Data	14-Sept-2022
Swedish CPI Data	14-Sept-2022
India's WPI Data	14-Sept-2022
Euro IIP Data	14-Sept-2022
New Zealand GDP Data	15-Sept-2022
German WPI Data	15-Sept-2022
French CPI Data	15-Sept-2022
BOE MPC Meeting Minutes	15-Sept-2022
U.S Jobless Claims	15-Sept-2022
Italian CPI Data	15-Sept-2022
Russia Interest Rate Decision	15-Sept-2022

(Source: Bloomberg)

Economic Indicator

Particulars	09-Sep-22	02-Sep-22	Change
5 Year Indian Govt. Bond(%)	6.95	6.89	0.06
10 Year Indian Govt. Bond(%) (6.54% GS 2032)	7.11	7.21	-0.10
15 Year Indian Govt. Bond(%)	7.31	7.3	0.01
Call Money Market (%)	4.5	5.3	-0.8
Brent Crude Oil (in Dollar/barrel)	91.52	93.28	-1.76
US 10 Year Treasury (%)	3.32	3.2	0.12
UK 10 Year Treasury (%)	3.13	2.92	0.21
Rs. vs Dollar	79.66	79.72	-0.06
FOREX Reserves with RBI (in Dollar/bn)	553.11	561.05	-7.94

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 7.09% to 7.15% (GEPL Capital Research)

Interest Rate Futures

IRF OPEN INTEREST (w.o.w)				
Security	Contract	09-Sept-22	02-Sept-22	Change
6.10% GOI 2031	29-Sept-2022	1324	1945	-65

IRF PRICE (w.o.w)				
Security	Contract	09-Sept-22	02-Sept-22	Change
6.10% GOI 2031	29-Sept-2022	93.35	92.78	0.19

(GEPL Capital Research)

Auction Scheduled For The Week

Date	Instrument	Expected Security	Nature of Flow	Amount (Cr)
13-Sept-22	SDL	10 States	Auction	10,350
14-Sept-22	T-Bills	91 DTB	Auction	9,000
14-Sept-22	T-Bills	182 DTB	Auction	7,000
14-Sept-22	T-Bills	364 DTB	Auction	5,000
16-Sept-22	G-Sec	6.69% GS 2024	Auction	4,000
16-Sept-22	G-Sec	7.10% GS 2029	Auction	7,000
16-Sept-22	G-Sec	7.26% GS 2032	Auction	13,000
16-Sept-22	G-Sec	NEW GS 2040	Auction	9,000

(Source: www.rbi.org.in)



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One Stop Investment Avenue



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