



Debt Market Watch

19 September, 2022



Government Security Market Update :

India's 10-year benchmark bond yield posted its sharpest rise in six weeks on Friday, as market participants priced in an aggressive rate hike from the US Fed & Reserve Bank of India to tackle elevated inflation. After an unexpected rise in U.S. inflation, some market participants fear a 100-basis-point rate hike by the Federal Reserve on Sept. 21, and anticipate the RBI would follow up with a third consecutive 50 basis points repo rate hike on Sept. 30. The RBI has been focussing on controlling inflation that stayed above its tolerance range for an eighth straight month in August. The RBI targets inflation in the 2%-6% band and has hiked repo rate by 140 basis points during May-August. During the week the ten states sold 5-27 years loan in the range of 7.2494 to 7.50 percent and in a Treasury bill auction the Reserve Bank of India sold 91; 182 & 364 DTB at a yield of 5.7153; 6.1881 & 6.4295 percent respectively. In a weekly sales the new 2062 security was sold at a yield of 7.40% and sold 6.69% GS 2024; 7.10% GS 2029 & 7.26% GS 2032 at a yield of 6.8033; 7.2436 & 7.2417 percent respectively. The RBI partially devolved 6.69% GS 2024 on the Primary Dealers to the tune of Rs.2,812.871 Crore.

Global Debt Market Update:

Japan's 10-year government bond yields hit the upper limit of the Bank of Japan's target on Wednesday, after an unexpected rise in U.S. consumer prices fuelled bets for more aggressive Federal Reserve rate hikes to contain soaring inflation. U.S. consumer prices rose in August to 8.3% and underlying inflation accelerated amid rising costs for rents and healthcare. The 10-year JGB yield rose 1 basis point to 0.250%, its highest since June 17. The yield on the 2-year Treasury, which is among those most affected by Fed decisions, rose more than 7 basis points to 3.858%, its highest level since 2007. Meanwhile, the yield on the benchmark 10-year Treasury note was up more than 3 basis points to 3.447%. The yield on the 30-year Treasury bond was marginally higher at 3.472%.

Bond Market Ahead:

The possibilities of India being included in global bond indexes this year has led to increased buying in a set of local securities. A decision on whether to include the country into the JP Morgan Government Bond Index Emerging Markets could come early as this month. Overseas investors are pouring into Indian bonds, putting the securities at risk of losses if a long-awaited inclusion into global indexes once again fails to take place. Bond purchases by global funds under the so-called Fully Accessible Route jumped to 42 billion rupees (\$529 million) in August, the most since January. They have already snapped up an additional 31 billion rupees of the securities in September. The inflows have added fuel to a bond rally driven by optimism that JPMorgan Chase & Co. will announce the inclusion of Indian debt in its emerging-markets index as early as the middle of this month. Any disappointment may damp sentiment and lead to a selloff. The market continue to remain under pressure in the week as the Fed outcome on interest rate and future guidance by the Fed will plot the way ahead for the bond market. The spread between the yields (2 & 10 years US Treasury) on the two notes, which has inverted because short-end yields are higher than at the long end, was at -41.2 basis points, compared with just under -14 bps last week. The majority of market participants expect the Fed to hike rates by 75 basis points next week. In a sign of the turnaround in market thinking, fed fund futures now show just a 16% chance policymakers will raise rates by 100 bps when they meet on Sept. 20-21, according to the CME Fed watch Tool. Earlier in the week the probability of such an outsized hike had climbed to 37%.

Bond Strategy:

- Buy 7.26% GOI 2032 around 7.28/29 with a target of 7.18 and a stop loss of 7.32 percent.
- Buy 6.54% GOI 2032 around 7.32/33 with a target of 7.23 and a stop loss of 7.36 percent.
- Buy 7.10% GOI 2029 around 7.27/28 with a target of 7.20 and a stop loss of 7.31 percent

(Bloomberg, GEPL Capital Research)

Economic Calendar

DATA	DATE
Japan CPI Data	20-Sept-2022
Australia meeting minutes	20-Sept-2022
Canada's CPI Data	20-Sept-2022
South African CPI Data	21-Sept-2022
US FED Interest Rate Decision	21-Sept-2022
Brazil Interest Rate Decision	22-Sept-2022
Bank Of Japan Interest Rate Decision	22-Sept-2022
Philippines Interest rate Decision	22-Sept-2022
Bank of England Interest rate Decision	22-Sept-2022
U.S Jobless Claims	22-Sept-2022
GBP CPI Data	22-Sept-2022
Malaysian CPI Data	23-Sept-2022
Singapore CPI & IIP Data	23-Sept-2022
Spanish GPD Data	23-Sept-2022

(Source: Bloomberg)

Economic Indicator

Particulars	16-09-22	09-Sep-22	Change
5 Year Indian Govt. Bond(%)	7.19	6.95	0.24
10 Year Indian Govt. Bond(%) (7.26% GS 2032)	7.23	7.11	0.12
15 Year Indian Govt. Bond(%)	7.35	7.31	0.04
Call Money Market (%)	5.40	4.50	0.90
Brent Crude Oil (in Dollar/barrel)	90.84	91.52	-0.68
US 10 Year Treasury (%)	3.45	3.32	0.13
UK 10 Year Treasury (%)	3.14	3.13	0.01
Rs. vs Dollar	79.85	79.66	0.19
FOREX Reserves with RBI (in Dollar/bn)	550.87	553.11	-2.24

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	August 2022 (released on 12-Sept-2022)	July 2022 (released on 12-Aug-2022)	Change
CPI DATA (%) (Monthly)	7.00	6.71	0.29

DATA	July-2022 (released on 12-Sept-2022)	June -2022 (released on 12-Aug-2022)	Change
IIP DATA (Monthly)	2.40%	12.3	-9.90



Yield Outlook for the week

The Indian 10 year Benchmark likely to move in the range of 7.18% to 7.28% (GEPL Capital Research)

Interest Rate Futures

IRF OPEN INTEREST (w.o.w)				
Security	Contract	16-Sept-22	09-Sept-22	Change
6.10% GOI 2031	29-Sept-2022	39236	1324	37912

IRF PRICE (w.o.w)				
Security	Contract	16-Sept-22	09-Sept-22	Change
6.10% GOI 2031	29-Sept-2022	95.13	93.35	1.78

(GEPL Capital Research)

Auction Scheduled For The Week

Date	Instrument	Expected Security	Nature of Flow	Amount (Cr)
20-Sept-22	SDL	9 States	Auction	11,400
21-Sept-22	T-Bills	91 DTB	Auction	9,000
21-Sept-22	T-Bills	182 DTB	Auction	7,000
21-Sept-22	T-Bills	364 DTB	Auction	5,000
23-Sept-22	G-Sec	7.38% GS 2027	Auction	9,000
23-Sept-22	G-Sec	7.54% GS 2036	Auction	11,000
23-Sept-22	G-Sec	7.36% GS 2052	Auction	8,000
23-Sept-22	G-Sec	GOI FRB 2028	Auction	4,000

(Source: www.rbi.org.in)



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One Stop Investment Avenue



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