



Debt Market Watch

26 September, 2022



Government Security Market Update :

The yield across the curve rose sharply after the US Fed hiked rates by 75 bps and sounded more hawkish than expected. Meanwhile, in the week the RBI received bids worth Rs.94,267 crore for the overnight variable repo rate auction on Thursday, nearly twice the total amount of Rs.50,000 crore. The cut-off rate was 5.58% a little lower than the Marginal Standing Facility (MSF) rate of 5.65%. In a weekly auction the nine states sold 10-20 years loan in the range of 7.5492 to 7.58 percent and in the Treasury bill auction the Reserve Bank of India sold 91; 182 & 364 DTB at a yield of 5.88; 6.4298 & 6.6494 percent respectively. Once again in the weekly auction the RBI has not accepted any bid for the GOI FRB 2028 and cancelled the full amount. The other securities 7.38% GS 2027; 7.54% GS 2036 & 7.36% GS 2052 sold at a yield of 7.3809; 7.4898 & 7.5303 percent respectively.

The yield on the 7.26% Government bond due August 2032 fell to 7.3926% from last week level of 7.2310% .

Global Debt Market Update:

On Friday, the UK's five-year bonds tumbled by the most since at least 1992 after the government rolled out a massive tax-cut plan that may only strengthen the Bank of England's hand. Two-year US Treasuries are in the middle of the longest losing streak since at least 1976, dropping for 12 straight days. The Fed on Wednesday, raised its policy rate range to 3.00 to 3.25%, its third straight 75-basis point's hike. Policy makers indicated they expect to push the rate beyond 4.5% and keep it there, even if it exacts a large toll on the economy. The Japan's 10-year government bond yields rose to 0.245%, hovering close to the BOJ's upper limit of 0.25%. U.S. 10-year Treasury yields rose to a 12-year peak on Friday and two-year yields rose to their highest since 2007, as investors fretted that central banks globally will keep tightening monetary policy to tackle soaring inflation. The policy-sensitive 2-year Treasury hit a fresh 15-year record of 4.266% and the yield on the 10-year hit an 11-year high of 3.829% earlier in the session but last traded two basis points lower at 3.685%.

Bond Market Ahead:

A weakening Rupee on the back of sticky wholesale and retail inflation, will complicate the task of both the government and the Reserve Bank of India and may prompt the monetary policy committee (MPC) to go for another round of 50 basis points hike. At the same time, fears of elevated import costs may force the government to further initiate measures to ease supply side bottlenecks in the domestic market to control price pressure. The rupee hit fresh trough of 81.09 against the US dollar on Friday, as the aggressive rate hike from the US Fed and escalating geopolitical tension in Ukraine bridled risk appetite. Falling crude oil price will be positive for the Indian market as it will ease out the inflationary pressure but due to weak rupee the effect will get nullified to some extent as we are importing nearly 75 percent of the crude oil. The current spread is nearly 142 bps lower than the 10-year average spread of 518 bps, and 66 bps lower than the 20-year average spread of 442.3 bps between the Indian and US 10-year Treasury yield. If the spread to match with the 10-year average then in that case Indian 10 year benchmark to trade above 8.50% going forward.

Bond Strategy:

- Buy 7.26% GOI 2032 around 7.42/43 with a target of 7.35 and a stop loss of 7.47%
- Buy 6.54% GOI 2032 around 7.48/49 with a target of 7.40 and a stop loss of 7.54%.
- Buy 7.38% GOI 2027 around 7.41/42 with a target of 7.35 and a stop loss of 7.47%.

(Bloomberg, GEPL Capital Research)

Economic Calendar

DATA	DATE
Singapore IIP Data	26-Sept-2022
German GDP Data	26-Sept-2022
Brazil CPI Data	27-Sept-2022
Japan Monetary Policy Meeting Minutes	28-Sept-2022
Thailand Interest Rate Decision	28-Sept-2022
RBI Monetary Policy	28-30th -Sept-2022
Russian IIP & GDP Data	28-Sept-2022
Vietnamese GDP & CPI Data	29-Sept-2022
Spanish CPI Data	29-Sept-2022
Belgium CPI Data	29-Sept-2022
U.S Jobless Claims	29-Sept-2022
German CPI Data	29-Sept-2022
U.S GDP Data	29-Sept-2022
South Korean IIP Data	30-Sept-2022
GBP GDP Data	30-Sept-2022

(Source: Bloomberg)

Economic Indicator

Particulars	23-Sep-22	16-09-22	Change
5 Year Indian Govt. Bond(%)	7.37	7.19	0.18
10 Year Indian Govt. Bond(%) (7.26% GS 2032)	7.39	7.23	0.16
15 Year Indian Govt. Bond(%)	7.5	7.35	0.15
Call Money Market (%)	5.65	5.40	0.25
Brent Crude Oil (in Dollar/barrel)	85.03	90.84	-5.81
US 10 Year Treasury (%)	3.73	3.45	0.28
UK 10 Year Treasury (%)	3.84	3.14	0.7
Rs. vs Dollar	81.45	79.85	1.6
FOREX Reserves with RBI (in Dollar/bn)	545.65	550.87	-5.22

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 7.35% to 7.42% (GEPL Capital Research)

Interest Rate Futures

IRF OPEN INTEREST (w.o.w)				
Security	Contract	23-Sept-22	16-Sept-22	Change
6.10% GOI 2031	29-Sept-2022	1428	39236	37808

IRF PRICE (w.o.w)				
Security	Contract	23-Sept-22	16-Sept-22	Change
6.10% GOI 2031	29-Sept-2022	91.50	95.13	3.63

(GEPL Capital Research)

Auction Scheduled For The Week

Date	Instrument	Expected Security	Nature of Flow	Amount (Cr)
27-Sept-22	SDL	14 States	Auction	27,736
28-Sept-22	T-Bills	91 DTB	Auction	9,000
28-Sept-22	T-Bills	182 DTB	Auction	7,000
28-Sept-22	T-Bills	364 DTB	Auction	5,000
30-Sept-22	G-Sec	6.69% GS 2024	Auction	4,000
30-Sept-22	G-Sec	7.10% GS 2029	Auction	7,000
30-Sept-22	G-Sec	7.26% GS 2032	Auction	13,000
30-Sept-22	G-Sec	7.40% GS 2062	Auction	9,000

(Source: www.rbi.org.in)



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