



# Debt Market Watch

07 November, 2022



## Government Security Market Update :

The benchmark 10-year yield ended eight basis points higher at 7.4829% on Thursday and also posted its biggest single-session rise since Oct. 6 and opened marginally higher on Friday before the debt sale and later after the schedule auction the result the yield eased by 3-4 basis points. On Wednesday, the Federal Reserve raised interest rates by 75 basis points, and chair Jerome Powell said its battle against inflation will require borrowing costs to rise further, taking a more hawkish tone than what the market had anticipated. The Reserve Bank of India's Monetary Policy Committee met on Thursday to discuss the bank's report to the government, for having failed to meet its inflation targets for three straight quarters for the first time since it was set up in 2016. The committee is mandated to keep inflation within 2 percentage points on either side of its 4% target. Retail inflation has remained above 6% since January and accelerated in September to a five-month high of 7.41%. During the week the 7 states sold 7-23 years loan in the range of 7.75 to 7.86 percent and in the Treasury bill auction the RBI sold 91,182 & 364 DTB at a yield of 6.4702; 6.8011 & 6.9535 percent respectively. As per the scheduled auction the four securities 6.69% GS 2024; 7.10% GS 2029; 7.54% GS 2036 & 7.40% GS2062 sold at a yield of 7.2018; 7.5057; 7.5871 & respectively. The yield on the 7.26% Government bond due August 2032 rose to 7.4691% from last week level of 7.42% .

## Global Debt Market Update:

The Fed increased rates by another 75 basis points on November 2 and the 2-year Treasury yield spiked to 15-years high of 4.71 percent and later eased by 4 bps to 4.661 percent. The 10-year Treasury last traded about 5 basis points higher after rising earlier in the session to 4.171%. The moves came after October's jobs report painted a mixed picture of the labour market. U.S. nonfarm payrolls surged by 261,000, according to data from the Bureau of Labour Statistics. That was much higher than the 205,000 add that economists expected. At the same time, the unemployment rate ticked up slightly to 3.7% from 3.5% a month earlier. Fears of a looming recession fuelled by the hikes have spread in recent weeks as the Fed's fight against persistently high inflation continues. 10-year US treasury yields have actually ended higher by 27 basis points (bps) on a one-year forward basis from the time the inversion happened (using rolling weekly averages to smoothen the data), and 29 bps higher on a six-month forward basis. Overall, yields ended higher in 63 percent of the instances.

## Bond Market Ahead:

Additional meeting of RBI MPC concluded on November 3, 2022 likely to cite global inflation and supply chain constraints due to war as the main reasons for higher domestic inflation. The global factors had spill over impact on the domestic inflation through higher crude and commodity prices, although the commodity prices have come down recently to some extent. According to the IMF's projection, global inflation will increase by 8.8 percent in 2022 from 4.7 percent in 2021. The Russia - Ukraine war has created several energy crisis in Europe. As part of its future course of action to tame inflation the MPC is expected to continue with its rate hike cycle and take the terminal repo rate to around 6.50 to 6.60 percent levels. However, with easing momentum, normal monsoon and lowering of global commodity prices; inflation is expected to come down to about 5.10 percent in 2023-24. On the other hand the GST collection is on the higher side which will keep the fiscal deficit in control and we may not see the additional borrowing from the government in FY 2023 which will support the market and once the inflation get moderated from the current level the yields will slide from the current rates.

## Bond Strategy:

- Buy 7.10% GOI 2029 around 7.49/50 with a target of 7.42 and a stop loss of 7.53%
- Buy 6.69% around 7.13/14 with a target of 7.06 and a stop loss of 7.17%  
(Bloomberg, GEPL Capital Research)

## Economic Calendar

DATA	DATE
Thailand CPI Data	07-Nov-2022
German IIP Data	07-Nov-2022
India's Import & Export Data	07-Nov-2022
Philippines IIP Data	08-Nov-2022
Malaysian IIP Data	08-Nov-2022
China CPI Data	09-Nov-2022
Swedish IIP Data	09-Nov-2022
Russian CPI Data	09-Nov-2022
Philippines GDP Data	10-Nov-2022
Italian IIP Data	10-Nov-2022
Brazil CPI Data	10-Nov-2022
U.S.CPI Data & Jobless claims	10-Nov-2022
Malaysian GDP Data	11-Nov-2022
GBP IIP & GDP Data	11-Nov-2022
German CPI Data	11-Nov-2022
Hongkong GDP Data	11-Nov-2022
India's IIP & CPI Data	11-Nov-2022

(Source: Bloomberg)

## Economic Indicator

Particulars	04-Nov-22	28-Oct-22	Change
5 Year Indian Govt. Bond(%)	7.42	7.34	0.08
10 Year Indian Govt. Bond(%) (7.26% GS 2032)	7.47	7.42	0.05
15 Year Indian Govt. Bond(%)	7.58	7.50	0.08
Call Money Market (%)	5.35	5.50	-0.15
Brent Crude Oil (in Dollar/barrel )	98.75	95.04	3.71
US 10 Year Treasury (%)	4.16	4.01	0.15
UK 10 Year Treasury (%)	3.57	3.50	0.07
Rs. vs Dollar	81.98	82.37	-0.39
FOREX Reserves with RBI (in Dollar/bn)	531.08	524.52	6.56

## Policy Rates

Repo Rate	5.90%
Standing Deposit Facility Rate	5.65%
CRR	4.50%
Reverse Repo Rate	3.35%

— Adverse + Favour (Source: Bloomberg/www.rbi.org.in)

DATA	Sept. 2022 (released on 12-Oct-2022)	August 2022 (released on 12-Sept-2022)	Change
CPI DATA (%) ( Monthly)	7.41%	7.00%	0.41

  

DATA	Aug-2022 (released on 12-Oct-2022)	July-2022 (released on 12-Sept-2022)	Change
IIP DATA (Monthly)	0.8%	2.40%	-1.6



## Yield Outlook for the week

The Indian 10 year Benchmark likely to move in the range of 7.40% to 7.49% (GEPL Capital Research)

## Interest Rate Futures

IRF OPEN INTEREST (w.o.w)				
Security	Contract	04-Nov-22	28-Oct-22	Change
6.54% GOI 2032	24-Nov-2022	12265	11574	691

  

IRF PRICE (w.o.w)				
Security	Contract	04-Nov-22	28-Oct-22	Change
6.54% GOI 2032	24-Nov-2022	93.57	93.95	0.38

(GEPL Capital Research)

## Auction Scheduled For The Week

Date	Instrument	Expected Surity	Nature of Flow	Amount (Cr)
07-Nov-22	SDL	10 States	Auction	9,523
09-Nov-22	T-Bills	91 DTB	Auction	10,000
09-Nov-22	T-Bills	182 DTB	Auction	6,000
09-Nov-22	T-Bills	364 DTB	Auction	6,000
11-Nov-22	G-sec	7.38% GS 2027	Auction	7,000
11-Nov-22	G-sec	7.26% GS 2032	Auction	12,000
11-Nov-22	G-sec	7.36% GS 2052	Auction	9,000

(Source: www.rbi.org.in)



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