

Debt Market Watch

02 January, 2023

One Stop Investment Avenue



Government Security Market Update :

Indian government bond yields ended largely unchanged in the last trading session of 2022, as most market participants refrained from placing large bets ahead of the weekly debt auction and on a lack of significant cues before year-end. The 10-year benchmark bond yield ended at 7.3277%, after closing at 7.3114% on Thursday. The benchmark crude contract eased 1.6% to \$81.40 per barrel, as surging COVID-19 cases in China dimmed hopes of a recovery in fuel demand for the world's largest crude oil importer. In the last auction of the calendar year 2022, the Reserve Bank of India sold 6.69% GS 2024; 7.10% GS 2029; 7.41% GS 2036 & 7.40% GS 2062 at a yield of 6.9769; 7.3282; 7.4269 & 7.4698 percent respectively. In a week thirteen states sold 8-19 years loan in the range of 7.55 to 7.70 percent and in the Treasury bill auction the RBI sold 91; 182 & 364 DTB at a yield of 6.3099; 6.74 & 6.8907 percent respectively.

The yield on the 7.26% Government bond due August 2032 rose to 7.3277% from last week level of 7.32% .

Global Debt Market Update:

The yield on the benchmark 10-year Treasury note rose about 4 basis points to 3.88%. The 2-year Treasury yield rose roughly 6 basis points and was last trading near 4.43%. As the calendar year draws to a close, uncertainty about a looming recession, persistent inflation, and what these factors could mean for Federal Reserve policies have been weighing on investor sentiment. This includes whether the central bank will slow or pause interest rate hikes. Many investors have been concerned about the impact of the pace of rate increases implemented by the Fed throughout 2022 on the broader U.S. economy. The 10-year Treasury yield soared above 4% after starting near 1.5%, crushing most bond portfolios, investors may be willing to bear small hikes from here in exchange for healthy yields. Throughout the week, many investors have been closely watching the last few economic data points of 2022 for hints about the outlook for next year. On Thursday, initial jobless claims data for the week ending Dec. 24 came in above expectations.

Bond Market Ahead:

The market likely to extend the recent range - bound moves with key data points some time away. The benchmark government bond yield ended at 7.3277% on Friday, largely unchanged for the week and the rupee ended last year as the second worst-performing Asian currency with a 10.14% fall, its biggest annual decline since 2013. The benchmark yield, however, jumped 87 basis points in 2022, its biggest annual jump since 2009, in a year when the central bank hiked repo rate by 225 basis points. The next trigger for the market will be the Annual Budget, which is to be released on February 1, 2023 and before that the retail inflation numbers for December due on January 12, 2023 will be the key. The 10-year benchmark likely to have a movement of 20 bps till budget and the broad range will be 7.20 to 7.40 percent.

Bond Strategy:

- Buy 7.26% GOI 2032 around 7.35/36 with a target of 7.30 and a stop loss of 7.42 percent.
- Buy 7.41% GOI 2036 around 7.45/46 with a target of 7.40 and a stop loss of 7.52 percent.

(Bloomberg, GEPL Capital Research)

Economic Calendar

DATA	DATE
Singapore GDP Data	03-Jan-23
German CPI Data	03-Jan-23
Swiss CPI Data	04-Jan-23
French CPI Data	04-Jan-23
German CPI Data	04-Jan-23
FOMC Meeting Minutes	05-Jan-23
Philippines CPI Data	05-Jan-23
Thailand CPI Data	05-Jan-23
Italian CPI Data	05-Jan-23
Brazil IIP Data	05-Jan-23
U.S Jobless claims	05-Jan-23
Euro CPI Data	05-Jan-23

(Source: Bloomberg)

Economic Indicator

Particulars	30-Dec-22	23-Dec-22	Change
5 Year Indian Govt. Bond(%)	7.23	7.23	-
10 Year Indian Govt. Bond(%) (7.26% GS 2032)	7.33	7.32	0.01
15 Year Indian Govt. Bond(%)	7.43	7.43	-
Call Money Market (%)	5.4	6.05	-0.65
Brent Crude Oil (in Dollar/barrel)	83.46	81.67	1.79
US 10 Year Treasury (%)	3.83	3.67	0.16
UK 10 Year Treasury (%)	3.7	3.63	0.07
Rupee. Vs Dollar	82.74	82.78	-0.04
FOREX Reserves with RBI (in Dollar/bn)	562.81	563.45	-0.64

Policy Rates

Repo Rate	6.25%
Standing Deposit Facility Rate	6.00%
CRR	4.50%
Reverse Repo Rate	3.35%

— Adverse + Favour

(Source: Bloomberg/www.rbi.org.in)

DATA	Nov 2022 (released on 12-Dec-2022)	Oct. 2022 (released on 11-Nov-2022)	Change
CPI DATA (%) (Monthly)	5.88%	6.77%	-0.64%

DATA	Oct 2022 (released on 12-Dec-2022)	Sept 2022 (released on 13-Nov-2022)	Change
IIP DATA (Monthly)	4.2	3.1%	1.1



Yield Outlook for the week

The Indian 10 year Benchmark likely to move in the range of 7.30% to 7.35% (GEPL Capital Research)

Interest Rate Futures

IRF OPEN INTEREST (w.o.w)				
Security	Contract	30-Dec-22	23-Dec-22	Change
6.54% GOI 2032	25-Jan-2023	100	501	-401

IRF PRICE (w.o.w)				
Security	Contract	30-Dec-22	23-Dec-22	Change
6.54% GOI 2032	25-Jan-2023	94.56	94.85	0.29

(GEPL Capital Research)

Auction Scheduled For The Week

Date	Instrument	Expected Security	Nature of Flow	Amount (Cr)
03-Jan-23	SDL	7 States	Auction	13,496
04-Jan-23	T-Bills	91 DTB	Auction	7,000
04-Jan-23	T-Bills	182 DTB	Auction	13,000
04-Jan-23	T-Bills	364 DTB	Auction	10,000
06-Jan-23	G-sec	7.38% GS 2027	Auction	7,000
06-Jan-23	G-sec	7.26% GS 2032	Auction	12,000
06-Jan-23	G-sec	7.36% GS 2052	Auction	9,000

(Source: www.rbi.org.in)



Debt Market Watch

02 January, 2023

One Stop Investment Avenue



Name	Designation	Certification	Email	Contact
Deepak Panjwani	Head – Debt Market	MBA - Finance & Marketing	deepak@geplcapital.com	91 (22) 6618 2352

I, Mr. **Deepak Panjwani** (Head - Debt Market of GEPL Capital), having Education Qualification **MBA - Finance & Marketing**, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I, also certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Disclosure :-

This document has been prepared by Research Department of GEPL Capital Pvt. Ltd. (hereinafter referred to as GEPL) and this report is for personal information of the selected recipient/s and does not constitute to be any investment, recommendation, prospectus, offering circular or legal or taxation advice to you. This research report does not constitute an offer, invitation or inducement to invest in securities or other investments and GEPL is not soliciting any action based upon it. This report is not for public distribution and has been furnished to you solely for your general information and should not be reproduced or redistributed to any other person in any form. This report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, investors should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. GEPL makes no representation or warranty, express or implied, as to, and does not accept any responsibility or liability or obligation with respect to, the fairness, accuracy, completeness or correctness of any information or update information or opinions contained herein.

All investments including Future and Options are involving risks and investors should exercise prudence in making their investment decisions. The report should not be regarded by the recipients as a substitute for the exercise of their own judgment. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or GEPL as a result of using different assumptions and criteria. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report.

The information contained in this report has been obtained from sources that are considered to be reliable. However, GEPL has not independently verified the accuracy or completeness of the same. Neither GEPL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

GEPL and its affiliates and/or their officers, directors and employees may have similar position in any securities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such securities (or investment). GEPL specifically prohibits the redistribution of this material in whole or in part without the written permission of GEPL and GEPL accepts no liability whatsoever for the actions of third parties in this regard. GEPL or its director or its research analysts or its associates or his relatives and/or its affiliates and/or employees do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

Disclaimers in respect of jurisdiction:

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such Distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject GEPL its affiliates to any registration or licensing requirement within such jurisdiction. If this report is inadvertently sent or has reached any individual the same may be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published for any purposes without prior written approval of GEPL.

Analyst Certification:

The views expressed in this research report reflect the personal views of the analyst(s) about the subject securities or issues. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months.

GEPL Capital Private Limited is a SEBI registered Research Analyst entity bearing SEBI Reg. No. "INH000000081" under SEBI (Research Analysts) Regulations, 2014.

Reg./Corp. Office : D-21 Dhanraj Mahal, CSM Marg, Colaba, Mumbai 400 001 Contact No +91 22 66182400

SEBI Reg.No. NSE/NSEF&O/CD - INB230993934, INF230993934 & INE230993934. BSE/BSE F&O- INB010993934 & INF010993934,

For more information visit us at : www.geplcapital.com

For research related queries email at research@geplcapital.com