

Debt Market Watch

23 January, 2023

One Stop Investment Avenue



Government Security Market Update :

The benchmark 10-year yield eased to 7.27% in the week tracking the peer US Treasury hitting low of 3.32% and later after the weekly auction of the central government securities the market gave away the gain and 10-year benchmark closed at 7.3478%. Later during the week four states sold 7-15 years loan in the range of 7.55 to 7.62 percent and in the Treasury bill auction the Reserve Bank of India sold 91; 182 & 364 DTB at a yield of 6.4238; 6.8204 & 6.9099 percent respectively. In a weekly auction the RBI sold 7.38% GS 2027; 7.26% GS 2032 & 7.36% GS 2052 at a yield of 7.1679; 7.3529 & 7.4083 percent respectively. With this week auction the outstanding of the 7.26% GS 2032 reaches Rs.1.48, 000 crore which is at the upper band of Rs.1.50 lac crore. The new 10-year benchmark likely to hit after the Union budget.

The yield on the 7.26% Government bond due August 2032 rose to 7.3478% from last week level of 7.3003% .

Global Debt Market Update:

US 10-year Treasury yields bounced off four-month lows on Thursday as investors waited on comments from Federal Reserve officials for further guidance on Fed policy and as the European Central Bank pushed back against market expectations of slowing rate hikes. U.S. bond yields have fallen as investors fear that the U.S. central bank will not be able to raise rates as high and for as long as it has indicated if the economy soon enters a downturn. Fed officials have stressed that they will need to raise rates above 5% and hold them there for a period of time in order to bring down inflation. The benchmark 10-year yields were last at 3.48%, after earlier dropping to 3.321%, the lowest since Sept. 13. The yields have fallen from 3.905% at year-end, and from a 15-year high of 4.338% on Oct. 21.

Bond Market Ahead:

The market sentiments will be on the cautious side this week due to heavy debt supply. The state government to borrow Rs.25,650 crore and apart from the T-Bill and weekly central government securities auction the government to raise Rs.8,000 crore of the Sovereign Green bonds in the segment of 5 & 10 years on Wednesday, January 25, 2023. The bidding will take place for all the scheduled auction keeping in view the Union budget in the next week. Traders will also focus on the federal budget that will be tabled next week, with the government's fiscal consolidation path and its borrowing calendar for the fiscal year 2024 set to be the next market-moving trigger. Most foreign banks expect gross supply in the range of 15.50 trillion rupees to 16.80 trillion rupees, with estimates from Barclays and Goldman Sachs on the higher side. Meanwhile, oil prices were buoyed by prospects of an improvement in demand from the world's largest importer China. The benchmark Brent crude contract gained 2.7% last week, after rising 8.5% in the previous week. The broader US Treasury market is also signaling that a Federal Reserve policy rate peak short of 5% will be enough to cause a recession, requiring rate cuts totaling half a point during the second half of the year. There's also a growing concern that the market has written down inflation risk too far. A sharp decline in yields over the past two months is mainly due to falling inflation expectations. That means that so-called real yields, which are protected from inflation, have declined less than their nominal counterparts.

Bond Strategy:

- Buy 7.26% GOI 2032 around 7.37/38 with a target of 7.32 and a stop loss of 7.42 percent.
- Buy 7.41% GOI 2036 around 7.41/42 with a target of 7.37 and a stop loss of 7.45 percent.

(Bloomberg, GEPL Capital Research)

Economic Calendar

DATA	DATE
Japan Policy Meeting Minutes	23-Jan-23
Bank of Japan CPI Data	24-Jan-23
Brazil Mid Month CPI Data	24-Jan-23
New Zealand CPI Data	25-Jan-23
Australian CPI Data	25-Jan-23
Singapore CPI Data	25-Jan-23
Thailand Interest Rate Decision	25-Jan-23
Bank of Canada Interest Rate Decision	25-Jan-23
South Korean GDP Data	26-Jan-23
Philippines GDP Data	26-Jan-23
Singapore IIP Data	26-Jan-23
U.S GDP Data & Jobless Claims	26-Jan-23
Spanish GDP Data	27-Jan-23

(Source: Bloomberg)

Economic Indicator

Particulars	20-Jan-23	13-Jan-23	Change
5 Year Indian Govt. Bond(%)	7.17	7.13	0.04
10 Year Indian Govt. Bond(%) (7.26% GS 2032)	7.35	7.3	0.05
15 Year Indian Govt. Bond(%)	7.4	7.37	0.03
Call Money Market (%)	6.35	5.6	0.75
Brent Crude Oil (in Dollar/barrel)	87.63	85.28	2.35
US 10 Year Treasury (%)	3.47	3.51	-0.04
UK 10 Year Treasury (%)	3.38	3.37	0.01
Rupee. Vs Dollar	80.96	81.28	-0.32
FOREX Reserves with RBI (in Dollar/bn)	572	561.58	10.42

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	Dec 2022 (released on 12-Jan-2023)	Nov 2022 (released on 12-Dec-2022)	Change
CPI DATA (%) (Monthly)	5.72%	5.88	-0.16%

DATA	Nov 2022 (released on 12-Jan-2023)	Oct 2022 (released on 12-Dec-2022)	Change
IIP DATA (Monthly)	7.10	4.2	2.10



Yield Outlook for the week

The Indian 10 year Benchmark likely to move in the range of 7.32% to 7.38% (GEPL Capital Research)

Interest Rate Futures

IRF OPEN INTEREST (w.o.w)				
Security	Contract	20-Jan-23	13-Jan-23	Change
7.26% GOI 2032	25-Jan-2023	21856	20938	918

IRF PRICE (w.o.w)				
Security	Contract	20-Jan-23	13-Jan-23	Change
7.26% GOI 2032	25-Jan-2023	99.43	99.60	-0.17

(GEPL Capital Research)

Auction Scheduled For The Week

Date	Instrument	Expected Security	Nature of Flow	Amount (Cr)
24-Jan-23	SDL	15 States	Auction	25,650
25-Jan-23	T-Bills	91 DTB	Auction	7,000
25-Jan-23	T-Bills	182 DTB	Auction	12,000
25-Jan-23	T-Bills	364 DTB	Auction	10,000
25-Jan-23	Green Bonds	NEW GOI SGrB 2028 & 2033	Auction	8,000
27-Jan-23	G-sec	6.89% GS 2025	Auction	4,000
27-Jan-23	G-sec	7.10% GS 2029	Auction	6,000
27-Jan-23	G-sec	7.41% GS 2036	Auction	11,000
27-Jan-23	G-sec	7.40% GS 2062	Auction	9,000

(Source: www.rbi.org.in)



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

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

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