

Debt Market Watch

13 February, 2023

One Stop Investment Avenue



Government Security Market Update :

Indian benchmark 10-year yield ended at 7.3627%, after closing at 7.3432% on Thursday. The yield rose by eight basis points (bps) this week, the biggest such move since the week ended Sep. 23, 2022 as the Reserve Bank of India (RBI) kept the door open for yet another hike after raising interest rates during the week. The central bank highlighted core inflation concerns with Wednesday's 25-bps hike, its sixth consecutive hike. Another hike is possible in April, as inflation pressures persist and the U.S. Federal Reserve continues to tighten. During the week twelve states sold 7-30 years loans in the range of 7.55 to 7.67 percent and in the Treasury bill auction the Reserve Bank of India sold 91; 182 & 364 DTB at a yield of 6.6699; 7.0157 & 7.0628 percent respectively. In a weekly auction the government sold 6.89% GS 2024; 7.10% GS 2029; 7.41% GS 2036 & 7.40% GS 2062 at a yield of 7.14; 7.3399; 7.4411 & 7.4267 percent respectively. The yield on the 7.26% Government bond due August 2032 rose to 7.3627% from last week level of 7.2776% .

Global Debt Market Update:

U.S. Treasury yields rose on Friday as investors continued to digest last week's strong employment report and await next week's latest consumer price index and retail sales figures. Treasury yields jumped last week after U.S. employment data showed a 517,000 uptick in jobs through January, leading many investors to reconsider the odds that the Fed raises its federal funds rate beyond the 5.00%-5.25% peak previously expected. Yields fell slightly on Thursday after investors digested jobless claims numbers, which came in slightly higher than economists' forecasts but remained at levels consistent with a tight labour market. Yields continued rising on Friday after the University of Michigan's preliminary report showed U.S. consumer sentiment improved to a 13-month high in February, but that expectations of higher inflation continue to persist. Benchmark 10-year note yields were last at 3.749%, their highest since Jan. 6. They have fallen from a 15-year high of 4.338% on Oct. 21, based on expectations that Fed tightening will lead to a recession this year. Meanwhile, two-year yields reached 4.525%, the highest since Nov. 30.

Bond Market Ahead:

Indian bond market will likely to open lower from the close of the Friday as the U.S Treasury yield surged and key economic data's to be released in this week. The U.S. Census Bureau will release its January retail sales report, another data point watched closely by the Fed and market. This is expected to show retail sales rebounding 1.6% in January after falling 1.1% in December, according to a Reuters survey of economists. In addition to domestic data points, yields have also risen on increased concerns about inflation after Russian Deputy Prime Minister Alexander Novak said Russia will cut oil production by 500,000 barrels per day. Investors are pricing in expectations for higher inflation as the jobs market remains strong. India's CPI data to be released on Monday, February 13, 2023 and January consumer prices are seen accelerating for the first time in three months, even as the annual inflation rate declines further. The poll indicating the numbers to print around 5.94% which will indicate further 25 bps hike in the repo rate in April policy.

Bond Strategy:

- Buy 7.10% GOI 2029 around 7.35/36 with a target of 7.30 and a stop loss of 7.40%
- Buy 7.26% GOI 2032 around 7.37/38 with a target of 7.32 and a stop loss of 7.42%
- Buy 7.41% GOI 2036 around 7.45/46 with a target of 7.39 and a stop loss of 7.52%

(Bloomberg, GEPL Capital Research)

Economic Calendar

DATA	DATE
Singapore GDP Data	13-Feb-23
India's CPI Data	13-Feb-23
Japan IIP & GDP Data	14-Feb-23
India's WPI Data	14-Feb-23
German WPI Data	14 -Feb-23
OPEC Monthly Report	14-Feb-23
U.S CPI Data	14-Feb-23
GBP CPI Data	15-Feb-23
German WPI Data	15-Feb-23
Spanish CPI Data	15-Feb-23
U.S IIP Data	15-Feb-23
Philippines Interest Rate Decision	15-Feb-23
U.S Jobless claims	16-Feb-23
Thailand GDP Data	17-Feb-23
French CPI Data	17-Feb-23

(Source: Bloomberg)

Economic Indicator

Particulars	10-Feb-23	03-Feb-23	Change
5 Year Indian Govt. Bond(%)	7.29	7.11	0.18
10 Year Indian Govt. Bond(%) (7.26% GS 2032)	7.36	7.28	0.08
15 Year Indian Govt. Bond(%)	7.45	7.36	0.09
Call Money Market (%)	5.95	6.12	-0.17
Brent Crude Oil (in Dollar/barrel)	86.39	82.17	4.22
US 10 Year Treasury (%)	3.75	3.52	0.23
UK 10 Year Treasury (%)	7.4	3.06	4.34
Rupee. Vs Dollar	82.51	82.04	0.47
FOREX Reserves with RBI (in Dollar/bn)	5.75.27	576.76	-1.49

Policy Rates

Repo Rate	6.50%
Standing Deposit Facility Rate	6.25%
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	Dec 2022 (released on 10-Feb-2023)	Nov 2022 (released on 12-Jan-2023)	Change
IIP DATA (Monthly)	4.30	7.30	3.00



Yield Outlook for the week

The Indian 10 year Benchmark (7.26% GS 2032) 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	10-Feb -23	03-Feb -23	Change
7.26% GOI 2032	23-Feb-2023	45191	38904	6287
IRF PRICE (w.o.w)				
Security	Contract	10-Feb -23	03-Feb -23	Change
7.26% GOI 2032	23-Feb-2023	99.25	99.78	0.53

(GEPL Capital Research)

Auction Scheduled For The Week

Date	Instrument	Expected Security	Nature of Flow	Amount (Cr)
14-Feb-23	SDL	12 States	Auction	12200
15-Feb-23	T-Bills	91 DTB	Auction	7,000
15-Feb-23	T-Bills	182 DTB	Auction	12,000
15-Feb-23	T-Bills	364 DTB	Auction	10,000
17-Feb-23	G-sec	7.38% GS 2027	Auction	7,000
17-Feb-23	G-sec	7.26% GS 2033	Auction	12,000
17-Feb-23	G-sec	7.36% GS 2052	Auction	9,000

(Source: www.rbi.org.in)



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