



Debt Market Watch

20th February, 2023



Government Security Market Update:

Indian government bond yields jumped on Friday after the Reserve Bank of India (RBI) devolved a bulk of the 10-year bond on primary dealers at a weekly auction. The RBI devolved 82.54 billion Indian rupees (nearly \$1 billion) of the 7.26% 2033 bond on primary dealers of the total 120-billion-rupee auction size. This was the first devolvement from the central bank in five months. Higher January inflation reading at 6.52% versus 5.72% in December has also raised bets that the RBI will hike rates one more time in April. The RBI raised the repo rate by 250 bps this financial year. In a weekly auction of Rs.28,000 crore the RBI sold 7.38% GS 2027; 7.26% GS 2033 & 7.36% GS 2052 at a yield of 7.3349; 7.3424 & 7.3837 percent respectively. Earlier during the week the twelve states sold 7-18 years loan in the range of 7.59 to 7.72 percent and in the Treasury bill auction the RBI sold 91; 182 & 364 DTB at a yield of 6.7292; 7.1232 & 7.1594 percent respectively. The yield on the 7.26% Government bond due August 2033 rose to 7.3712% from last week level of 7.3616%.

Global Debt Market Update:

U.S. Treasury yields jumped higher on Wednesday after data that showed retail sales surged in January, further complicating the Federal Reserve's efforts to slow economic growth and hamper inflation. Retail sales surged 3.0% in January after two straight monthly declines, the Commerce Department said on Wednesday. Economists polled by Reuters had forecast sales would increase 1.8%, with estimates ranging from 0.5% to 3.0%. US headline and core inflation came bang in line with estimates on a MoM basis, however, the YoY numbers were higher by a small margin, probably due to the revision of index component weights. January CPI recorded at 6.40 versus 6.50 percent. Traders of interest rate futures now see the Fed raising borrowing costs three more times, bringing the policy rate to the 5.25%-5.50% range by July and above the Fed's previous 5.1% forecast by December. Benchmark 10-year note yields hit 3.92%, their highest since Jan. 3, reflecting market expectations that the Fed keeps interest rates higher for longer and managed to close at 3.83 percent.

Bond Market Ahead:

The Reserve Bank of India devolve the new 10-year benchmark at a yield of 7.3424 on the Primary Dealers and the yield spiked to nearly 7.39 percent but it is unlikely to result in any sharp yields movement as we are nearing the end of FY23 auction calendar and this week auction will be the last auction for the FY2023. Market participants will also track the movement in the U.S. Treasury yields and oil prices for cues. U.S. Treasury yields fell a bit on Friday after the 10-year note hit a three-month high, as the market placed greater odds that the Federal Reserve would keep interest rates higher for longer in its fight against persistent inflation. The Fed has raised interest rates by 450 bps since 2022 and is widely expected to further raise them by 50 bps over the next three months. The RBI has raised the repo rate by 250 bps since 2022 to 6.50% and likely to increase another 25 bps in April 2023 as expected by the market. Three central bank policy decisions dominate the economic calendar in Asia this week, as investors continue to grapple with the profound market implications of the most dramatic repricing of U.S. interest rate expectations in decades. U.S. markets are closed on Monday for Presidents Day so Asian activity and volumes will be lighter than usual. The People's Bank of China is scheduled to set its lending benchmark interest rates on Monday morning and expected to keep the rates unchanged. The Reserve Bank of New Zealand is expected to scale back its tightening on Wednesday and raise rates by half a percentage point to 4.75%. The Bank of Korea on Thursday expected to keep its policy rates on hold at 3.50%.

Bond Strategy:

- Buy 7.26% GOI 2032 around 7.37/38 with a target of 7.34 and a stop loss of 7.42%
 - Buy 7.26% GOI 2033 around 7.35/36 with a target of 7.32 and a stop loss of 7.39%
 - Buy 7.41% GOI 2036 around 7.42/43 with a target of 7.36 and a stop loss of 7.47%
- (Bloomberg, GEPL Capital Research)

Economic Calendar

DATA	DATE
Swedish CPI Data	20-Feb-23
RBA Meeting Minutes	21-Feb-23
Canada CPI Data	21-Feb-23
New Zealand Monetary Policy Statement	22-Feb-23
German CPI Data	22-Feb-23
Hong Kong GDP & CPI Data	22-Feb-23
Italian CPI Data	22-Feb-23
India's RBI MPC Minutes	22-Feb-23
Russia's IIP Data	22-Feb-23
FOMC Meeting Minutes	23-Feb-23
South Korean Interest Rate Decision	23-Feb-23
U.S GDP Data & Jobless Claims	23-Feb-23
Japan CPI Data	24-Feb-23
Malaysian CPI Data	24-Feb-23
German GDP Data	24-Feb-23

(Source: Bloomberg)

Economic Indicator

Particulars	17-Feb-23	10-Feb-23	Change
5 Year Indian Govt. Bond(%)	7.34	7.29	0.05
10 Year Indian Govt. Bond(%) (7.26% GS 2033)	7.37	7.36	0.01
15 Year Indian Govt. Bond(%)	7.45	7.45	-
Call Money Market (%)	6.15	5.95	0.2
Brent Crude Oil (in Dollar/barrel)	83	86.39	-3.39
US 10 Year Treasury (%)	3.83	3.75	0.08
UK 10 Year Treasury (%)	3.52	7.4	-3.88
Rupee. Vs Dollar	2.08	82.51	-80.43
FOREX Reserves with RBI (in Dollar/bn)	566.95	5.75.27	-8.32

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	Jan 2022 (released on 13-Feb-2023)	Dec 2022 (released on 12-Jan-2023)	Change
CPI DATA (%) (Monthly)	6.52%	5.72%	-0.8

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 2033) likely to move in the range of 7.32% to 7.36%

Interest Rate Futures

IRF OPEN INTEREST (w.o.w)				
Security	Contract	17-Feb-23	10-Feb-23	Change
7.26% GOI 2032	23-Feb-2023	41324	45191	-3867

IRF PRICE (w.o.w)				
Security	Contract	17-Feb-23	10-Feb-23	Change
7.26% GOI 2032	23-Feb-2023	99.25	99.25	-

(GEPL Capital Research)

Auction Scheduled For The Week

Date	Instrument	Expected Security	Nature of Flow	Amount (Cr)
21-Feb-23	SDL	11 States	Auction	20,737
22-Feb-23	T-Bills	91 DTB	Auction	7,000
22-Feb-23	T-Bills	182 DTB	Auction	12,000
22-Feb-23	T-Bills	364 DTB	Auction	10,000
24-Feb-23	G-sec	6.89% GS 2025	Auction	6,000
24-Feb-23	G-sec	7.41% GS 2036	Auction	11,000
24-Feb-23	G-sec	7.40% GS 2062	Auction	9,000

(Source: www.rbi.org.in)

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One Stop Investment Avenue



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