



Debt Market Watch

2nd May, 2023

One Stop Investment Avenue



Government Security Market Update :

The current rally in bonds began after stronger-than-expected demand at a similar debt auction last week. Foreign banks and traders have been major bond buyers in the secondary market since then, on bets of a policy pivot by the Indian as well as U.S. central bank soon. The Reserve Bank of India (RBI) maintained the status quo on its policy rate earlier this month, and easing inflation - India's March retail inflation dropped to 5.66% and is set to ease below 5% in April - has cemented bets of a prolonged pause. Easing oil prices could further aid sentiment, as India is one of the largest importers of the commodity and its pricing has a direct impact on local inflation. Earlier in the week four states sold 6-14 years loan in the range of 7.39 to 7.47 percent and in the Treasury bill auction the Reserve Bank of India sold 91; 182 & 364 DTB at a yield of 6.8225; 6.9723 & 7.0040 percent respectively. In a weekly auction the government sold 7.17% GS 2030; 7.41% GS 2036 & 7.40% GS 2062 at a yield of 7.0861; 7.2221 & 7.2768 percent respectively.

The yield on the 7.26% Government bond due August 2033 fell to 7.1196% from last week level of 7.1556%

Global Debt Market Update:

U.S. Treasury yields edged higher Monday ahead of a highly anticipated meeting of the Federal Reserve's Federal Open Market Committee. The yield on the 10-year Treasury was trading around 3.467% up 1 basis point. The 2-year Treasury yield was up 2 basis points at 4.087%. The Fed is expected to announce a 25-basis point interest rate hike Wednesday at the conclusion of its meeting. GDP figures last week indicating slower-than-expected economic growth in the first quarter. The personal consumption expenditure index, meanwhile one of the Federal Reserve's preferred inflation gauges rose on the previous quarter, coming in at 4.2%. Thursday's report showed that the GDP rose by 1.1% at an annualized pace, falling short of the 2% increase previously expected by economists surveyed by Dow Jones.

Bond Market Ahead:

All eyes are on the FOMC decision on May 3rd. The market is widely discounting the 25 bps hike and if any surprise from the Fed by keeping rates unchanged will trigger the rally and the US 10 Year benchmark can drift down to 3.14%. The GDP data is pointing weakness in the economy and the series of further rate hike further may deteriorate the weakness. On domestic front the Indian 10-year benchmark has been positioned in the range of 7.08 to 7.13 percent and may trade in the wide range of 7.07 to 7.18 percent in the next couple of the trading sessions. The April series auctions went through smoothly and cut-off came higher than the market expectations which triggered with the healthy volume in the secondary trades.

Bond Strategy:

- Buy 7.26% GOI 2033 around 7.16/15 with a target of 7.07 and a stop loss of 7.20 percent.
- Buy 7.26% GOI 2032 around 7.22/23 with a target of 7.12 and a stop loss of 7.28 percent.

(Bloomberg, GEPL Capital Research)

Economic Calendar

DATA	DATE
South Korean CPI Data	02-May-23
RBA Interest Rate Decision	02-May-23
Hong Kong GDP Data	02-May-23
Italian CPI Data	02-May-23
Euro CPI Data	02-May-23
Malaysian Interest Rate Decision	03-May-23
Thailand CPI Data	03-May-23
US Fed Interest Rate Decision	03-May-23
Brazil Interest Rate Decision	04-May-23
ECB Interest Rate Decision	04-May-23
U.S. Jobless claims	04-May-23
Philippines CPI Data	05-May-23
China CPI Data	05-May-23
French IIP Data	05-May-23
Spanish IIP Data	05-May-23

(Source: Bloomberg)

Economic Indicator

Particulars	28-Apr-23	21-Apr-23	Change
5 Year Indian Govt. Bond (%)	6.99	7.00	-0.01
10 Year Indian Govt. Bond(%) (7.26% GS 2033)	7.12	7.16	-0.04
15 Year Indian Govt. Bond(%)	7.24	7.29	-0.05
Call Money Market (%)	6.78	6.65	0.13
Brent Crude Oil (in Dollar/barrel)	80.26	81.46	-1.2
US 10 Year Treasury (%)	3.43	3.57	-0.14
UK 10 Year Treasury (%)	3.72	3.76	-0.04
Rupee Vs Dollar	81.73	82.04	-0.31
FOREX Reserves with RBI (in Dollar/bn)	584.25	586.41	-2.16

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	Mar 2023 (released on 12-Apr-2023)	Feb 2023 (released on 13-Mar-2023)	Change
CPI DATA (%) (Monthly)	5.66%	6.40%	-0.74
DATA	Feb 2023 (released on 12-Apr-2023)	Jan 2023 (released on 12-Mar-2023)	Change
IIP DATA (Monthly)	5.6	5.2	0.4



Yield Outlook for the week

The Indian 10 year Benchmark (7.26% GS 2033) likely to move in the range of 7.07% to 7.16%

(GEPL Capital Research)

Interest Rate Futures

IRF OPEN INTEREST (w.o.w)					
Security	Contract	28-April -23	21-April -23	Change	
7.26% GOI 2032	25-May-2023	9650	32589	-31,939	
IRF PRICE (w.o.w)					
Security	Contract	28-April -23	21-April -23	Change	
7.26% GOI 2032	25-May-2023	100.65	100.50	0.15	

(GEPL Capital Research)

Auction Scheduled For The Week

Date	Instrument	Expected Security	Nature of Flow	Amount (Cr)
02-May -23	SDL	8 States	Auction	15200
03-May -23	T-Bills	91 DTB	Auction	12000
03-May -23	T-Bills	182 DTB	Auction	12000
03-May -23	T-Bills	364 DTB	Auction	8000
04-May -23	G-Sec	7.06% GS 2028	Auction	8000
04-May -23	G-Sec	7.26% GS 2033	Auction	14000
04-May -23	G-Sec	7.36% GS 2052	Auction	11000

(Source: www.rbi.org.in)



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