



Debt Market Watch

8th May, 2023



Government Security Market Update:

The yield on the benchmark bond hit near one-year low on May 3, tracking a fall in Bent crude oil prices and US Treasury yields. According to the Bloomberg data, last time the benchmark yield was down below 7.03 percent was on April 7, 2022, trading at around 6.915 percent. The Brent crude oil prices have seen a sharp fall this week, slumping over 5 percent. In the start of this week, Brent crude oil prices were trading at \$79.31 per barrel, has now fallen to \$75.21 per barrel. Earlier during the week the eight states sold 6-25 years loan in the range of 7.4191 to 7.49 percent and in the Treasury bill auction the Reserve Bank of India sold 91; 182 & 364 DTB at a yield of 6.8984; 6.9889 & 6.9955 percent respectively. In a weekly auction the benchmark 7.26% GS 2033 cut off came at the higher yield versus expectations. The RBI sold 7.06% GS 2028; 7.26% GS 2033 & 7.36% GS 2052 at a yield of 6.9413; 7.0381 & 7.1757 percent respectively. The yield on the 7.26% Government bond due August 2033 fell to 7.0140% from last week level of 7.1196%

Global Debt Market Update:

U.S. Treasury yields finished Friday higher in a reversal from their downward trend most of the week, after the release of labor data showed April employment and wage figures had outpaced market expectations. The yield on two-year notes jumped 19.7 basis points (bps) to 3.924%, while the yield on 10-year notes rose 9.6 bps to 3.448%. The 30-year bond's yield was up 4.1 bps at 3.763%. Nonfarm payrolls increased by 253,000 in April, according to data released Friday by the Labor Department. The figure beat the 180,000 forecast of economists polled by Reuters. The data also showed average hourly earnings gained 0.5% in April after rising 0.3% in March. The strong labor data showed the Fed still has work to do in fighting persistent inflation, after the central bank on Wednesday hiked rates a further 25 bps. The upward move in longer-dated Treasury yields marked a reversal in course from their downward trend throughout the week, when investors bet that the Federal Reserve would pause and then cut rates this year.

Bond Market Ahead:

The bond market is being currently favoured by the macros and importantly for Indian context the easing in the crude oil price is a big relief as it will slow down the pace of the inflation trajectory and may give the room to the RBI MPC to ease the rates in the near future. Annual retail inflation in India eased to 5.66 per cent in March from 6.44 per cent in the previous month. The RBI is still awaiting the impact of its actions over the past 12 months which is still playing out and would increasingly weigh on the future inflation trajectory. The RBI has hiked the policy rate – Repo — by a cumulative 250 basis points since May 2022, which is still working through the system. Recently, the Fed increased the rates by 25 bps and indicated pause going forward as the banking crisis is deepening and will lead to the recession prominently. The yield curve between two-year and 10-year US Treasuries, an indicator of economic conditions, steepened to negative 47.9 bps. On Friday, the yield on the one-month T-bill fell 29.2 bps to 5.447% after earlier rising to 5.739%, a record high. Yields on two-month and three-month bills also ticked down. Investors dumped bills with shorter-dated maturities earlier this week in the latest sign of nerves about the U.S. debt ceiling standoff. Treasury Secretary Janet Yellen said this week that the government could run out of cash as soon as June 1, as Democrats and Republicans stand at an impasse.

Bond Strategy:

- Buy 7.26% GOI 2033 around 7.05/6 with a target of 6.99 and a stop loss of 7.08%
- Buy 7.26% GOI 2032 around 7.09/10 with a target of 7.04 and a stop loss of 7.14%
- Buy 7.36% GOI 2052 around 7.19/7.20 with a target of 7.14 and a stop loss of 7.24% (Bloomberg, GEPL Capital Research)

Economic Calendar

DATA	DATE
German IIP Data	08-May-23
Philippines IIP Data	09-May-23
Malaysian IIP Data	09-May-23
German CPI Data	10-May-23
Swedish IIP Data	10-May-23
Italian IIP Data	10-May-23
Greek IIP Data	10-May-23
Brazil IIP Data	10-May-23
U.S CPI Data	10-May-23
China CPI Data	11-May-23
Philippines GDP Data	11-May-23
Irish CPI Data	11-May-23
Portuguese CPI Data	11-May-23
OPEC Monthly report	11-May-23
BoE Interest Rate Decision	11-May-23
U.S Jobless Claims	11-May-23
Malaysian GDP Data	12-May-23
GBP GDP & IIP Data	12-May-23
India's IIP & CPI Data	12-May-23
Brazil CPI Data	12-May-23

(Source: Bloomberg)

Economic Indicator

Particulars	05-May-23	28-Apr-23	Change
5 Year Indian Govt. Bond (%)	6.95	6.99	-0.04
10 Year Indian Govt. Bond(%) (7.26% GS 2033)	7.01	7.12	-0.11
15 Year Indian Govt. Bond(%)	7.12	7.24	-0.12
Call Money Market (%)	6.95	6.78	0.17
Brent Crude Oil (in Dollar/barrel)	75.37	80.26	-4.89
US 10 Year Treasury (%)	3.44	3.43	0.01
UK 10 Year Treasury (%)	3.8	3.72	0.08
Rupee Vs Dollar	81.73	81.73	0
FOREX Reserves with RBI (in Dollar/bn)	588.78	584.25	4.53

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 6.99% to 7.05% (GEPL Capital Research)

Interest Rate Futures

IRF OPEN INTEREST (w.o.w)				
Security	Contract	05-May -23	28-April -23	Change
7.26% GOI 2032	25-May-2023	9446	9650	-204
IRF PRICE (w.o.w)				
Security	Contract	05-May -23	28-April -23	Change
7.26% GOI 2032	25-May-2023	101.30	100.65	0.65

(GEPL Capital Research)

Auction Scheduled For The Week

Date	Instrument	Expected Security	Nature of Flow	Amount (Cr)
09-May -23	SDL	5 States	Auction	9700
10-May -23	T-Bills	91 DTB	Auction	12000
10-May -23	T-Bills	182 DTB	Auction	12000
10-May -23	T-Bills	364 DTB	Auction	8000
12-May -23	G-Sec	6.89% GS 2025	Auction	8000
12-May -23	G-Sec	7.17% GS 2030	Auction	7000
12-May -23	G-Sec	7.41% GS 2036	Auction	12000
12-May -23	G-Sec	7.40% GS 2062	Auction	12000

(Source: www.rbi.org.in)



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One Stop Investment Avenue



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