

Debt Market Watch

Weekly Newsletter

25th Sept, 2023

Economic Indicator

Particulars	22-Sept-23	15 Sept-23	Change
5 Year Indian Govt. Bond (%)	7.18	7.18	-
10 Year Indian Govt. Bond(%) (7.18% GS 2033)	7.16	7.16	-
15 Year Indian Govt. Bond(%)	7.28	7.28	-
Call Money Market (%)	6.7	6.2	-0.5
Brent Crude Oil (in Dollar/barrel)	91.96	94.27	2.31
US 10 Year Treasury (%)	4.44	4.33	-0.11
UK 10 Year Treasury (%)	4.25	4.41	0.16
Rupee Vs Dollar	83.11	83.1	-0.01
FOREX Reserves with RBI (in Dollar/bn)	593.04	593.90	0.86

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	Aug 2023 (released on 12-Sept-2023)	July 2023 (released on 14-Aug-2023)	Change
CPI DATA (%) (Monthly)	6.83%	7.44%	-0.61

DATA	July 2023 (released on 12-Sept-2023)	June 2023 (released on 11-Aug-2023)	Change
IIP DATA (Monthly)	5.7	3.7	2.0



Yield Outlook for the week

The Indian 10 year Benchmark (7.18% GS 2033) likely to move in the range of 7.10% to 7.16%
(GEPL Capital Research)

Interest Rate Futures

IRF OPEN INTEREST (w.o.w)				
Security	Contract	22-Sept-23	15-Sept-23	Change
7.26% GOI 2033	28-Sept-2023	42314	41685	629

IRF PRICE (w.o.w)				
Security	Contract	22-Sept-23	15-Sept-23	Change
7.26% GOI 2033	28-Sept-2023	100.45	100.45	-

(GEPL Capital Research)

Auction Scheduled For The Week

Date	Instrument	Expected Security	Nature of Flow	Amount (Cr)
26-Sept-23	SDL	12 States	Auction	27000
27-Sept-23	T-Bills	91 DTB	Auction	10000
27-Sept-23	T-Bills	182 DTB	Auction	8000
27-Sept-23	T-Bills	364 DTB	Auction	6000
29-Sept-23	G-Sec	6.99% GS 2026	Auction	8000
29-Sept-23	G-Sec	7.17% GS 2030	Auction	7000
29-Sept-23	G-Sec	7.18% GS 2033	Auction	12000
29-Sept-23	G-Sec	7.25% GS 2063	Auction	12000

(Source: www.rbi.org.in)

Government Security Market Update :

At a time when domestic bond yields were heading north tracking the US yields and amid hawkish remarks by the US Fed on rate hikes, news of the inclusion of Indian government bonds in the JPMorgan Global Bond Index was like a vitamin pill for bond traders. Most experts believe that the inclusion will help in making the domestic bond market resilient and bring down yields, despite the negativity around global bond yields. During the week the Reserve Bank of India sold 91; 182 & 364 DTB at a yield of 6.8548; 7.0671 & 7.0890 percent respectively. Twelve states sold 4-30 years loans in the range of 7.40 to 7.49% and in the weekly auction the government sold 7.06% GS 2028; 7.18% GS 2037 & 7.30% GS 2053 at a yield of 7.1792; 7.1342 & 7.3360 percent respectively.

The yield on the 7.18% Government bond due August 2033 fell to 7.1570% from last week level of 7.1644% .

Global Debt Market Update:

U.S. Treasury yields continued their march higher Thursday, reaching multiyear highs. The yield on the 10-year Treasury was up by around 15 basis points at 4.492%, hitting a fresh 2007 high in the session. The 2-year Treasury was more than 2 basis points higher to 5.142%, hovering around levels last reached in 2006. Yields on the 5-year note and 30-year bond also touched their highest levels since 2007 and 2011, respectively. Treasury yields reached their highs of the day after the release of new U.S. unemployment data. Initial jobless claims came in at 201,000, well below a Dow Jones forecast of 225,000. The U.S. central bank held interest rates steady, as was widely expected, and said that its benchmark overnight interest rate may still be lifted one more time this year to a peak 5.50%-5.75% range. It also now expects half a percentage point of rate cuts in 2024. As of June, Fed officials had expected to cut rates by a full percentage point next year. Fed funds futures traders are pricing in only a partial chance of an additional rate hike, with a 32% probability in November and 45% chance by December, according to the CME Group's FedWatch Tool. Benchmark 10-year note yields hit 4.490%, the highest since November 2007. Interest rate sensitive two-year yields reached 5.202%, the highest since July 2006. The inversion in the yield curve between two-year and 10-year notes narrowed to minus 69 basis points.

Bond Market Ahead:

A sharp reversal in yields on Friday was because of profit booking, and many traders lightened their positions as they sold stock after the debt auction, which is enabling them to take some fresh positions. The market likely to open on positive note on Monday as the U.S. Treasury yields are inching lower after hitting the highest level of 4.49% and JPMorgan last week included India in its emerging market debt index, which will start on June 28, 2024, and extend over 10 months with 1% increments on its index weighting. HSBC said the move will likely bring in \$20 billion to \$22 billion of index related inflows while also crowding in additional funds. India's sovereign borrowing costs could go down over a period of time and even lead to an appreciation of the Indian Rupee. U.S benchmark two & 10 years are the highest since 2006-07, 10-year real yields have broken above 2%, and asset markets around the world are bucking under the higher-for-longer U.S. rate outlook. The dollar is strengthening as a result, and as emerging market investors are all too aware, the combination of high U.S. debt servicing costs and a strong dollar are rarely a welcome combination. The Fed sent out a hawkish signal but the Bank of England, Swiss National Bank and Bank of Japan last week was surprisingly dovish, the euro zone and Chinese Central banks are also leaning dovish. Brazil is slashing rates and many others have stopped hiking. The Bank of England latest policy decision is on Wednesday, and activity really picks up on Friday with a heavy slew of data from across the region which spills into the week-end with China's official & non-official purchasing managers' index reports for September.

Bond Strategy:

- Buy 7.18% GS 2037 around 7.28 to 7.29 with a target of 7.22% and a stop loss of 7.33%.
- Buy 7.06% GS 2028 around 7.18 to 7.19 with a target of 7.13% and a stop loss of 7.22%.

(Source: Bloomberg, GEPL Capital Research)

Economic Calendar

DATA	DATE
Singapore CPI Data	25, Sept,23
Singapore IIP Data	26, Sept,23
Brazil CPI Data	26, Sept,23
Japan Monetary Policy Meeting Minutes	27, Sept,23
Thailand Interest Rate Decision	27, Sept,23
Russia IIP & GDP Data	27, Sept,23
Thailand IIP Data	28, Sept,23
Spanish CPI Data	28, Sept,23
Belgium CPI Data	28, Sept,23
German CPI Data	28, Sept,23
US GDP Data	28, Sept,23
U.S Jobless Claims	28, Sept,23
Japan CPI & IIP Data	29-Sept,23
Vietnamese GDP Data	29, Sept,23
GBP GDP Data	29, Sept,23
French CPI Data	29, Sept,23
Portuguese CPI Data	29, Sept,23
Italian CPI Data	29, Sept,23

(Source: Bloomberg)

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