



# Debt Market Watch

## Weekly Newsletter

30th October, 2023

### Economic Indicator

Particulars	27-Oct-23	20-Oct-23	Change
5 Year Indian Govt. Bond (%)	7.35	7.36	-0.01
10 Year Indian Govt. Bond(%) (7.18% GS 2033)	7.36	7.36	0.00
15 Year Indian Govt. Bond(%)	7.46	7.47	-0.01
Call Money Market (%)	6.76	6.6	0.16
Brent Crude Oil (in Dollar/barrel )	83.21	92.38	-9.17
US 10 Year Treasury (%)	4.85	4.91	-0.06
UK 10 Year Treasury (%)	4.55	4.65	-0.10
Rupee Vs Dollar	83.41	83.16	0.25
FOREX Reserves with RBI (in Dollar/bn)	583.5	585.9	-2.40

### 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	Sept 2023 (released on 12-Oct -2023)	Aug 2023 (released on 12-Sept -2023)	Change
CPI DATA (%) (Monthly)	5.02%	6.83%	-1.81

  

DATA	Aug 2023 (released on 12-Oct-2023)	July 2023 (released on 12-Sept-2023)	Change
IIP DATA (Monthly)	10.3	5.7	4.6



### Yield Outlook for the week

The Indian 10 year Benchmark (7.18% GS 2033) likely to move in the range of 7.30% to 7.36% (GEPL Capital Research)

### Interest Rate Futures

IRF OPEN INTEREST (w.o.w)				
Security	Contract	27-Oct-23	20-Oct-23	Change
7.26% GOI 2033	30-Nov-2023	19898	53340	-33442

  

IRF PRICE (w.o.w)				
Security	Contract	27-Oct-23	20-Oct-23	Change
7.26% GOI 2033	30-Nov-2023	99.05	99.00	0.05

(GEPL Capital Research)

### Auction Scheduled For The Week

Date	Instrument	Expected Security	Nature of Flow	Amount (Cr)
31-Oct-23	SDL	15 States	Auction	25400
1-Nov-23	T-Bills	91 DTB	Auction	7000
1-Nov-23	T-Bills	182 DTB	Auction	8000
1-Nov-23	T-Bills	364 DTB	Auction	9000
3-Nov-23	G-Sec	7.37% GS 2028	Auction	7000
3-Nov-23	G-Sec	7.18% GS 2033	Auction	13000
3-Nov-23	G-Sec	7.30% GS 2053	Auction	10000

(Source: www.rbi.org.in)

### Government Security Market Update :

The Reserve Bank of India (RBI) has done an outright open market operation (OMO) sales of government securities worth Rs.4,175 crore between October 16 and 20, as per the RBI's Weekly Statistical Supplement data. They sold securities worth Rs.920; 1050 & 1425 crore on October 16, 17 & 18, 2023. Further it sold Rs.230 crore on October 19 and Rs.550 crore on October 20 despite deficit liquidity in the banking system. During the week the ten states sold 7-30 years loan in the range of 7.60 to 7.73 percent and in the Treasury bill auction the Reserve Bank of India sold 91; 182 & 364 DTB at a yield of 6.9349; 7.1374 & 7.16% respectively. In a weekly auction the cut-off set for the New GS 2026 at a yield of 7.33% and sold other securities 7.18% GS 2037 & 7.25% GS 2063 at a yield of 7.4580 & 7.5373 per cent respectively.

The yield on the 7.18% Government bond due August 2033 fell to 7.3576% from last week level of 7.3626%

### Global Debt Market Update:

U.S. Treasury yields ticked down on Friday as investors parsed economic data that could affect the Federal Reserve's monetary policy and provide hints about the state of the economy. The 10-year Treasury yield was down by 1 basis point at 4.83%. The yield on the 2-year Treasury, meanwhile, slipped 3.3 basis points to 5.01%. Investors also digested the latest personal consumption expenditures reading for September. Core PCE, which is the Fed's preferred inflation measure, ticked up 0.3% in September and 3.7% year-over-year, matching forecasts from economists polled by Dow Jones. The data showed consumer spending remained strong in the third quarter, which analysts have pointed to as a major factor in the economy's resilience. But disposable personal income increased only 1.9% to \$95.8 billion, in the third quarter, a significant decline from the 6.1% jump to \$296.5 billion seen in the second quarter. Yields have rallied in October on expectations the U.S. Federal Reserve will maintain a higher-for-longer rates course in the face of persistent inflation

### Bond Market Ahead:

The bond yield likely to be elevated over a period of time as the Central Banks across the globe are targeting higher rates for longer to control inflation. The Fed fund rate is 5.25-5.50% and the U.S. 10-year Treasury yield moved above 5% and currently trading around 4.85% after softer economic data. The traders are betting on increasing exposure to the bonds as the yields are at multi-years high and may drift down in the near future. The RBI last hiked the repo rate in February 2023 and has since maintained a pause in the subsequent four monetary policy meetings. But the Central Bank's continuing hawkish stance on inflation, global yield spikes, geopolitical tensions and the indication in the October policy meeting of conducting open market operations (OMO) to absorb excess liquidity sent the 10-year to 7.40%. From the middle of September 2023, the liquidity in the banking system slipped into the negative territory and the deficit was reportedly Rs.1 lakh crore recently. From the sub 7% levels, the 182-day and 364-DTB now trade at yields of 7.14 percent and 7.16 percent respectively. The 5-year G-sec yield is also at 7.36% which is 20-25 higher than what it was just a couple of months ago. With the inflation under check, the RBI may continue to remain in pause mode. Though yields could increase a bit in the short term, interest rates may well have touched their peak for the foreseeable future in the country.

### Bond Strategy:

- Buy 7.18% GS 2037 around 7.46 to 7.47 with a target of 7.40% and a stop loss of 7.52%.
- Buy 7.18% GS 2033 around 7.36 to 7.37 with a target of 7.30% and a stop loss of 7.42%.

(Source: Bloomberg, GEPL Capital Research)

### Economic Calendar

DATA	DATE
Spanish CPI Data	30, Oct,23
German GDP & CPI Data	30, Oct,23
Japan IIP Data	30, Oct,23
China PMI Data	30, Oct,23
Bank of Japan Interest Rate Decision	30, Oct,23
European GDP & CPI Data	31, Oct,23
Hongkong GDP Data	31, Oct,23
Canada GDP Data	31, Oct,23
India S&P Global India Manufacturing PMI (Oct)	1, Nov,23
Switzerland PMI Data	1, Nov,23
UK PMI Data	1, Nov,23
Brazil Interest rate decision & IIP Data	1, Nov,23
US Interest rate decision, Employment & PMI Data	1, Nov,23
German Unemployment rate data	2, Nov,23
Bank of England Interest rate decision	2, Nov,23
US Jobless claims data	2, Nov,23
Russian S&P Global Services PMI (Oct)	3, Nov,23
Europe German Trade Balance (Sep)	3, Nov,23
UK PMI Data (Sep)	3, Nov,23
Europe Unemployment Rate (Sep)	3, Nov,23
US Unemployment Rate & PMI Data (Oct)	3, Nov,23

(Source: Bloomberg)





30th October, 2023

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