



Debt Market Watch

Weekly Newsletter

06-Nov-2023

Economic Indicator

Particulars	03-Nov-23	27-Oct-23	Change
5 Year Indian Govt. Bond (%)	7.3	7.35	0.05
10 Year Indian Govt. Bond(%) (7.18% GS 2033)	7.31	7.36	0.05
15 Year Indian Govt. Bond(%)	7.42	7.46	0.04
Call Money Market (%)	6.7	6.76	0.06
Brent Crude Oil (in Dollar/barrel)	85.23	83.21	-2.02
US 10 Year Treasury (%)	4.58	4.85	0.27
UK 10 Year Treasury (%)	4.29	4.55	0.26
Rupee Vs Dollar	83.18	83.41	0.23
FOREX Reserves with RBI (in Dollar/bn)	586.11	583.5	-2.61

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 7.27% to 7.32%.
(GEPL Capital Research)

Interest Rate Futures

IRF OPEN INTEREST (w.o.w)				
Security	Contract	03-Nov-23	27-Oct-23	Change
7.26% GOI 2033	30-Nov-2023	30691	19898	-10793

IRF PRICE (w.o.w)				
Security	Contract	03-Nov-23	27-Oct-23	Change
7.26% GOI 2033	30-Nov-2023	98.96	99.05	-0.09

(GEPL Capital Research)

Auction Scheduled For The Week

Date	Instru-ment	Expected Security	Nature of Flow	Amount (Cr)
7-Nov-23	SDL	13 States	Auction	25750
8-Nov-23	T-Bills	91 DTB	Auction	7000
8-Nov-23	T-Bills	182 DTB	Auction	8000
8-Nov-23	T-Bills	364 DTB	Auction	9000
10-Nov-23	G-Sec	7.33% GS 2026	Auction	12000
10-Nov-23	G-Sec	7.17% GS 2030	Auction	10000
10-Nov-23	G-Sec	7.18% GS 2037	Auction	12000
10-Nov-23	G-Sec	7.25% GS 2063	Auction	5000

(Source: www.rbi.org.in)

Government Security Market Update :

The market moved in the right range and followed the drop in the U.S. Treasury yield as the Fed kept the rates unchanged. The 10-year benchmark eased towards 7.30% from a high of 7.37% and good buying interest emerged in the range of 7.34 to 7.37%. The government sold first 50-year security at a yield of on Friday and got the good response from insurance and the pension funds. The government sold 100 billion rupees (\$1.2 billion) of the 2073 bond at a cut-off yield of 7.46%, which was lower than the 7.48% forecast in a Bloomberg survey and sold other securities 7.37% GS 2028 & 7.18% GS 2033 at a yield of 7.2909 & 7.3154% respectively. Earlier during the week the 15 states sold 7-30 years maturity securities in the range of 7.65 to 7.78% and in the Treasury bill auction the Reserve Bank of India sold 91; 182 & 364 DTB at a yield of 6.9325; 7.1376 & 7.1598 percent respectively. The yield on the 7.18% Government bond due August 2033 fell to 7.3140% from last week level of 7.3576%

Global Debt Market Update:

U.S. 10-year Treasury yields fell as low as 4.50%, the lowest since Sept. 29. Two-year note yields reached 4.847%, the lowest since Sept. 1 after data showed that U.S. job growth slowed more than expected in October. Nonfarm payrolls increased by 150,000 jobs last month, below economists' expectations for 180,000 job gains. Data for September was revised lower to show 297,000 jobs created instead of 336,000 as previously reported. Average hourly earnings rose by 0.2% in the month, below expectations for a 0.3% increase. On an annual basis they rose 4.1%, above consensus estimates for a 4.0% gain. The U.S. central bank's policy setting Federal Open Market Committee held interest rates at a 22-year high for a second straight meeting on Wednesday and Fed Chairman Powell said that they are proceeding carefully, an assessment that's often suggested a reluctance to move rates in the near term. One factor allowing the Fed to keep rates steady this week has been a tightening in financial conditions led by a surge in bond yields that has boosted real world borrowing costs.

Bond Market Ahead:

The US Federal Reserve hiked the federal funds rate by 525 basis points since early 2022. This, coupled with the Fed's recent resolve to keep rates higher well into 2024, has resulted in a sharp surge in US treasury yield, taking it close to the 5 per cent mark. The Indian g-sec yield since 2015, it has largely been moving in a 100-basis points range at 6.5-7.5 per cent. The year-to-date change in the 10-year bond yield is, in fact, just 3.9 basis points. This stability is largely due to the ability of domestic investors to absorb the increased supply of paper. The spread between the 10-year government bond yields in India and the US is currently the lowest since 2015, at 240 basis points. A look at the government bond yield spread of other countries against US treasury yields shows that India is not too badly placed. Many countries such as Brazil, South Africa, Mexico and Russia have been aggressively hiking their policy rates to double-digits. This has made the spread of their government bond yields over US treasury very attractive relative to India. But given that India is continuing to attract foreign investors into debt, it appears that FPIs are not too concerned about the reducing spread between Indian and US government securities. The superior growth prospects and a resilient domestic economy seem to outweigh the differential in bond yields. Bonds are relatively placed at better position and are set to beat cash over the next year as inflation cools and central banks end policy tightening. The yields on the 10-year benchmark set to drop below 7.25% by the end of this month.

Bond Strategy:

- Buy 7.18% GS 2037 around 7.41 to 7.42 with a target of 7.37% and a stop loss of 7.45%.
- Buy 7.18% GS 2033 around 7.31 to 7.32 with a target of 7.27% and a stop loss of 7.35%.

(Source: Bloomberg, GEPL Capital Research)

Economic Calendar

DATA	DATE
RBA Interest Rate Decision	06-Nov-2023
German IIP Data	07-Nov-2023
Spanish IIP Data	07-Nov-2023
Russia Interest Rate Decision	07-Nov-2023
German CPI Data	08-Nov-2023
China CPI Data	08-Nov-2023
U.S Jobless Claims	09-Nov-2023
RBA Monetary Policy Statement	09-Nov-2023
GBP GDP Data	09-Nov-2023
GBP IIP Data	09-Nov-2023
Hong Kong GDP Data	09-Nov-2023
Italian IIP Data	09-Nov-2023
Brazil CPI Data	09-Nov-2023
Russian CPI Data	09-Nov-2023
Fed Balance Sheet	09-Nov-2023

(Source: Bloomberg)

Invest Now



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