

Economic Indicator

Particulars	29-12-23	22-12-23	Change
5 Year Indian Govt. Bond (%)	7.09	7.10	-0.01
10 Year Indian Govt. Bond(%) (7.18% GS 2033)	7.18	7.19	-0.01
15 Year Indian Govt. Bond(%)	7.29	7.30	-0.01
Call Money Market (%)	6.25	6.7	-0.45
Brent Crude Oil (in Dollar/barrel)	77.07	78.80	-1.73
US 10 Year Treasury (%)	3.87	3.91	-0.04
UK 10 Year Treasury (%)	3.54	3.51	0.03
Rupee Vs Dollar	83.19	83.17	0.02
FOREX Reserves with RBI (in Dollar/bn)	595.4	615.97	-20.57

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	Nov 2023 (released on 12-Dec -2023)	Oct 2023 (released on 13-Nov -2023)	Change
CPI DATA (%) (Monthly)	5.55%	4.87%	0.68

DATA	Oct 2023 (released on 12-Nov-2023)	Sept 2023 (released on 10-Nov-2023)	Change
IIP DATA (Monthly)	11.7	5.8	-5.9



Yield Outlook for the week

The Indian 10 year Benchmark (7.18% GS 2033) likely to move in the range of 7.12% to 7.19%.

(GEPL Capital Research)

Interest Rate Futures

IRF OPEN INTEREST (w.o.w)				
Security	Contract	29-Dec-23	22-Dec-23	Change
7.18% GOI 2033	25-Jan-2023	15739	18809	-3070

IRF PRICE (w.o.w)				
Security	Contract	29-Dec-23	22-Dec-23	Change
7.18% GOI 2033	25-Jan-2023	99.91	99.9450	-0.035

(GEPL Capital Research)

Auction Scheduled For The Week

Date	Instrument	Expected Security	Nature of Flow	Amount (Cr)
2-Jan-24	SDL	6 States	Auction	16,000
3-Jan-24	T-Bills	91 DTB	Auction	8000
3-Jan-24	T-Bills	182 DTB	Auction	10000
3-Jan-24	T-Bills	364 DTB	Auction	9000
5-Jan-24	G-Sec	7.32% GS 2030	Auction	12000
5-Jan-24	G-Sec	7.18% GS 2037	Auction	10000
5-Jan-24	G-Sec	7.25% GS 2063	Auction	12000

(Source: www.rbi.org.in)

Government Security Market Update:

Foreign funds have poured money into government bonds at a tearing pace over the past few months and the indicative value of aggregate holdings of foreign portfolio investors (FPIs) in government bonds under the 'fully accessible route' (FAR) was at ₹1.28 lakh crore as on December 26, versus ₹61,260 crore as on December 30, 2022, latest data released by the Clearing Corporation of India (CCIL) showed. The FAR category was introduced by the RBI in 2020. From September 22 to December 26, the increase in FPI holdings of sovereign debt under the FAR category was at ₹33,243.07 crore, a rise which outstrips sales of government bonds worth ₹29,778 crore by overseas investors in the general category of Indian bonds from 2020 to now. The 10-year benchmark traded in the range of 7.14 to 7.20% and managed to close below 7.18% on the last working day of the calendar year 2023. In a weekly auction the government sold 7.37% GS 2028; 7.18% GS 2033 & 7.30% GS 2053 at a yield of 7.0628; 7.1754 & 7.4283 percent respectively. Earlier during the week the 12 states sold 3-30 years loan in the range of 7.40 to 7.72 percent and in the Treasury bill auction the Reserve Bank of India sold 91; 182 & 364 DTB at a yield of 6.93; 7.1554 & 7.13 percent respectively.

The yield on the 7.18% Government bond due August 2033 fell to 7.1754% from last week level of 7.1862%.

Global Debt Market Update:

The yield on the 10-year Treasury note was little changed on Friday and closed at 3.866% and the 2-year Treasury yield inched down about 3 basis points to 4.25%. The yield on the 10-year topped the 5% threshold in October for the first time since 2007, before dropping below 3.9% in recent weeks on bets of an end to rate increases and cuts in the new year. The Fed said earlier this month that it expects to cut rates three times next year, but some investors are hoping for further reductions. Markets are broadly pricing in the first rate cut to take place in March 2024. The US Treasury yield curve measuring the gap between 2 & 10-years notes indicate recessionary expectation with a -38.6 basis points. However, analyst caution against reading too much into yield movement during the last week of the year. As the final trading day of 2023 concludes, the broader economic landscape appears poised for a recalibration with investors closely monitoring signals from central banks and economic indicators for clues on the path ahead.

Bond Market Ahead:

The year 2024 seems to be a trading year for the bond market as the yields are likely to see a downward movement due to expectations of the rate cuts by the US Federal Reserve and robust inflow from the Foreign Portfolio Investors (FPI). Accounting for investments in corporate bonds, FPIs' net purchases of Indian debt are at \$8.2 billion so far in 2023, the highest since 2017, data released by the National Securities Depository showed. While yield on the 10-year benchmark government bond has tumbled 17 basis points since October, the future course of the pricing benchmark for a host of credit products hinges on the RBI's approach to liquidity. Given that the near-term inflation trajectory is likely to see an upward bias due to hardening food prices, the central bank is unlikely to loosen its grip on tight liquidity in the banking system anytime soon. The RBI, which has flagged the inflationary risks of excess liquidity, has been withdrawing monetary accommodation since April 2022. India's addition to a major global gauge will give global investors greater access to the world's fastest growing large economy that offers some of the highest returns in the region. The inclusion may prompt inflows of as much as \$30 billion. With the tight liquidity in the banking system the RBI is far away from conducting OMO sales and now may be the focus will be turning towards normalizing the liquidity and RBI is open with various tools including the OMO purchase. Inflation trajectory likely to normalize in the Q4 and RBI MPC will continue with a pause on the repo rate and may soon follow the action from the US Fed in March or early April.

Bond Strategy:

- Buy 7.18% GS 2037 around 7.30 to 7.31 with a target of 7.23% and a stop loss of 7.34%.
- Buy 7.18% GS 2033 around 7.19 to 7.20 with a target of 7.13% and a stop loss of 7.24%.
- Buy 7.25% GS 2063 around 7.41 to 7.42 with a target of 7.35% and a stop loss of 7.45%.

(Source: Bloomberg, GEPL Capital Research)

Economic Calendar

DATA	DATE
Russia CPI Data	01-Jan-2024
RBA Interest Rate Decision	02-Jan-2024
Singapore GDP Data	03-Jan-2024
FOMC Meeting Minutes	04-Jan-2024
French CPI Data	04-Jan-2024
German CPI Data	04-Jan-2024
US Initial Jobless claims	04-Jan-2024
Philippines CPI Data	05-Jan-2024
Thailand CPI Data	05-Jan-2024
Italian CPI Data	05-Jan-2024
Italian CPI Data	05-Jan-2024
Brazil IIP Data	05-Jan-2024

(Source: Bloomberg)

Invest Now

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