

# Debt Market Watch

## Weekly Newsletter

8<sup>th</sup> January, 2024

### Economic Indicator

Particulars	05-01-24	29-12-23	Change
5 Year Indian Govt. Bond (%)	7.11	7.09	0.02
10 Year Indian Govt. Bond(%) (7.18% GS 2033)	7.23	7.18	0.05
15 Year Indian Govt. Bond(%)	7.36	7.29	0.07
Call Money Market (%)	6.6	6.25	0.35
Brent Crude Oil (in Dollar/barrel )	78.9	77.07	1.83
US 10 Year Treasury (%)	4.05	3.87	0.18
UK 10 Year Treasury (%)	3.79	3.54	0.25
Rupee Vs Dollar	83.14	83.19	-0.05
FOREX Reserves with RBI (in Dollar/bn)	623.2	620.44	2.76

### 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 7.20% to 7.27%.

(GEPL Capital Research)

### Interest Rate Futures

IRF OPEN INTEREST (w.o.w)				
Security	Contract	05-Jan-24	29-Dec-23	Change
7.18% GOI 2033	25-Jan-2024	21591	15739	-5852
IRF PRICE (w.o.w)				
Security	Contract	05-Jan-24	29-Dec-23	Change
7.18% GOI 2033	25-Jan-2024	99.6050	99.91	-0.3050

(GEPL Capital Research)

### Auction Scheduled For The Week

Date	Instru-ment	Expected Security	Nature of Flow	Amount (Cr)
9-Jan-24	SDL	9 States	Auction	19330
10-Jan-24	T-Bills	91 DTB	Auction	8000
10-Jan-24	T-Bills	182 DTB	Auction	10000
10-Jan-24	T-Bills	364 DTB	Auction	9000
12-Jan-24	G-Sec	7.37% GS 2028	Auction	7000
12-Jan-24	G-Sec	New 10 Year Benchmark	Auction	16000
12-Jan-24	G-Sec	7.30% GS 2053	Auction	10000

(Source: www.rbi.org.in)

### Government Security Market Update :

The banking system is witnessing a deficit liquidity and it has crossed Rs.2.5 lakh crore in the last week of the December owing to back to back advance tax payments and monthly GST payments. The Reserve Bank of India conducted first variable rate repo (VRR) auction of the calendar year 2024 on Friday. There was high demand for liquidity with banks putting in bids aggregating Rs.2,77,402 crore against the notified amount of Rs.1 lakh crore. The liquidity will improve in this month as the government securities will be maturing and the government will be spending aggressively. The yield across the curve hardened as the government allowed states to borrow more in the January – March quarter and the calendar was released for more than Rs.4 lakh crore and yield hardened at the U.S Treasury market. Earlier during the week the six states sold 3-19 years loan in the range of 7.43 to 7.79% and in the Treasury bill auction the Reserve Bank of India sold 91; 182 & 364 DTB at a yield of 6.9378; 7.1498 & 7.1257 percent respectively. In a weekly auction the government sold 7.32% GS 2030; 7.18% GS 2037 & 7.25% GS 2063 at a yield of 7.1937; 7.3550 & 7.4773 percent respectively.

The yield on the 7.18% Government bond due August 2033 rose to 7.2348% from last week level of 7.1754% .

### Global Debt Market Update:

The yield on the 10-year Treasury was up 6 basis points at 4.051%, crossing back above the key 4% level. It had retreated earlier in the morning. The 2-year Treasury yield rose 2 basis points to 4.4% as the non-farm payroll data showed employers added 216,000 jobs in December. That surpassed the gain of 170,000 expected by economists polled by Dow Jones, and showed a substantial increase from the November's figure, which was revised down to 173,000. The unemployment rate held steady at 3.7%, versus the 3.8% expected. A hot labour market could keep the Fed from cutting interest rates as early as the market had come to expect. Parts of Wall Street had recently expected a cut as soon as March, but the Fed has not provided timeline. Others speculate that rate cuts could happen later than expected, backed by minutes released this week from the central bank's December policy meeting suggesting a degree of uncertainty.

### Bond Market Ahead:

Strong job data at U.S. and tight liquidity in the banking system may put the pressure on the Indian market as the earlier rate cut hope at U.S. is fading after the data showing strength. Indian 10-year benchmark has moved from 7.17 to 7.23% and likely to remain in the range of 7.20 to 7.27% for the week as the market participants are expecting the Reserve Bank of India to introduce the new 10-year benchmark as the existing 10-year (7.18% GS 2033) outstanding is above Rs.1.50 lakh crore. India's trillion-dollar sovereign bond market is gearing up for a rush of foreign money in the run-up to inclusion in JPMorgan Chase & Co.'s emerging markets bond index in June. That may lead to inflows of up to \$40 billion, according to estimates. Foreigners bought \$8.4 billion of local bonds last year, the most in six years. Investors have been particularly drawn to the index-eligible Fully Accessible Route, or FAR bonds, which were created by authorities to allow full foreign ownership in certain securities. The Union interim budget for the next fiscal year, which is due early February, is likely to be prudent as Finance Minister Nirmala Sitharaman has said no major announcements should be expected. The statement helped ease worries over extra spending ahead of general elections that are expected in April or May.

### Bond Strategy:

- Buy 7.18% GS 2037 around 7.37 to 7.38% with a target of 7.31 and a stop loss of 7.42%.
- Buy 7.25% GS 2063 around 7.47 to 7.48% with a target of 7.42 and a stop loss of 7.52%..

(Source: Bloomberg, GEPL Capital Research)

### Economic Calendar

DATA	DATE
Philippines IIP Data	08-Jan-2024
Swiss CPI Data	08-Jan-2024
Japan CPI Data	09-Jan-2024
German IIP Data	09-Jan-2024
Swedish IIP Data	10-Jan-2024
French IIP Data	10-Jan-2024
South Korean Interest Rate Decision	11-Jan-2024
Malaysian IIP Data	11-Jan-2024
Spanish IIP Data	11-Jan-2024
Italian IIP Data	11-Jan-2024
Portuguese CPI Data	11-Jan-2024
Brazil CPI Data	11-Jan-2024
U.S CPI Data & Jobless Claims	11-Jan-2024
China CPI Data	12-Jan-2024
GBP GDP & IIP Data	12-Jan-2024
French CPI Data	12-Jan-2024
Spanish CPI Data	12-Jan-2024
India's IIP & CPI Data	12-Jan-2024
Russia CPI Data	12-Jan-2024

(Source: Bloomberg)

Invest Now

Name	Designation	Certification	Email	Contact
Deepak Panjwani	Head – Debt Market	MBA - Finance & Marketing	deepak@geplcapital.com	91 (22) 6618 2352

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**Email: info@geplcapital.com & complaints@geplcapital.com**

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