

Economic Indicator

Particulars	12-01-24	05-01-24	Change
5 Year Indian Govt. Bond (%)	7.07	7.11	-0.04
10 Year Indian Govt. Bond(%) (7.18% GS 2033)	7.18	7.23	-0.05
15 Year Indian Govt. Bond(%)	7.29	7.36	-0.07
Call Money Market (%)	6.00	6.6	-0.6
Brent Crude Oil (in Dollar/barrel)	78.29	78.9	-0.61
US 10 Year Treasury (%)	3.95	4.05	-0.1
UK 10 Year Treasury (%)	3.8	3.79	0.01
Rupee Vs Dollar	82.87	83.14	-0.27
FOREX Reserves with RBI (in Dollar/bn)	617.3	623.2	-5.9

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	Dec 2023 (released on 12-Jan -2024)	Nov 2023 (released on 12-Dec -2023)	Change
CPI DATA (%) (Monthly)	5.69%	5.55%	0.14

DATA	Nov 2023 (released on 12-Jan -2024)	Oct 2023 (released on 12-Nov-2023)	Change
IIP DATA (Monthly)	2.4%	11.7%	-9.3



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	12-Jan-24	05-Jan-24	Change
7.18% GOI 2033	25-Jan-2024	22072	21591	481

IRF PRICE (w.o.w)				
Security	Contract	12-Jan-24	05-Jan-24	Change
7.18% GOI 2033	25-Jan-2024	100.15	99.6050	0.5450

(GEPL Capital Research)

Auction Scheduled For The Week

Date	Instrument	Expected Security	Nature of Flow	Amount (Cr)
16-Jan-24	SDL	9 States	Auction	19200
17-Jan-24	T-Bills	91 DTB	Auction	8000
17-Jan-24	T-Bills	182 DTB	Auction	10000
17-Jan-24	T-Bills	364 DTB	Auction	9000
19-Jan-24	G-Sec	7.33% GS 2026	Auction	8000
19-Jan-24	G-Sec	7.18% GS 2037	Auction	10000
19-Jan-24	G-Sec	7.25% GS 2063	Auction	12000
19-Jan-24	G-Sec	New 30 Year SGr Bond	Auction	5000

(Source: www.rbi.org.in)

Government Security Market Update:

India's headline retail inflation rate accelerated to a four-month high of 5.69 percent in December versus 5.55 percent recorded in November. At 5.69% the latest CPI figure is below expectations of 5.90%. The slowdown in price movement was visible in categories apart from food too, with the price index for housing – which makes up 10 percent of the consumption basket contracting by 0.6 percent MoM in December. The other categories clothing and footwear, fuel and light, and miscellaneous items all saw their price indices rise by just 0.2 percent from November. As a result core inflation fell further to 3.90 percent from 4.1 percent in November. The market witness a sharp rally in the week with good volume in the 2033 & 2037 segment along with 2053 & 2063 segments. The 10-year benchmark 7.18% GS 2033 yield falls to 7.17% from 7.22 percent and good demand seen in the weekly auction of the 7.37% GS 2028; 7.18% GS 2033 & 7.30% GS 2053 as the cut-off set at a yield of 7.0629; 7.1773 & 7.4093 percent respectively and during the week 9 states sold 5-20 years loan in the range of 7.53 to 7.78 percent and in the Treasury bill auction the Reserve Bank of India set cut-off of 91; 182 & 364 DTB at a yield of 6.9275; 7.1550 & 7.1486 percent respectively.

The yield on the 7.18% Government bond due August 2033 fell to 7.1795% from last week level of 7.2348%.

Global Debt Market Update:

The yield on the U.S 10-year Treasury note ticked lower by about 3 basis points to 3.946%. It has been hovering around the 4% mark for much of the week. The 2-year Treasury yield declined nearly 11 basis points to trade at 4.155%. The producer price index fell 0.1% for the month and ended 2023 up 1% from a year ago, the Labor Department reported Friday, while economists surveyed by Dow Jones had been looking for a monthly gain of 0.1%. Excluding food and energy, core PPI was flat against the estimate for a 0.2% increase. This data follows the more widely followed consumer price data released on Thursday, which indicated that prices went up 0.3% on the month and 3.4% from a year ago. Economists had expected a 0.2% reading amid an easing of inflationary pressures. Core inflation, which excludes volatile food and energy prices, meanwhile, was roughly in line with expectations. The Federal Reserve in December said it was expecting to cut rates in small increments three times this year. But minutes from the meeting that were published earlier in January showed that significant uncertainty remains about the direction of interest rates.

Bond Market Ahead:

Lower than expected CPI numbers for December and easing U.S Treasury yield will build the positive move in the week and eyes will be on the launching the new 10-year benchmark which is likely to be introduced in the following week. The exiting 10-year benchmark 7.18% GS 2033 likely to move below 7.10% in this week and gradually the new 10-year benchmark will make a move towards 7%. India's core inflation eased below 4% in December, hitting its lowest level in 48 months, even as retail inflation rose marginally to 5.69%. A significant reason was service inflation declining to its lowest level since 2015. Foreign portfolio investors (FPIs), recognising are clearly doubling down on Indian debt market, pouring Rs.7912 crore in government securities in the first 12 days of this month. This comes on top of the turnaround seen in 2023, when the total debt inflows by FPI hit a record six-year high of \$7.3 billion. Of this, almost 50 per cent came in November – December 2023, amidst a sharp correction in US yields. The catalyst for FPI's financial fervour in Indian debt market lay in the impending inclusion of India in two prestigious global bond indices. The first domino to fall was the anticipated entrance into the JP Morgan EM index scheduled for June 2024.

Bond Strategy:

- Buy 7.18% GS 2037 around 7.25 to 7.26 with a target of 7.20% and a stop loss of 7.30%.
- Buy 7.30% GS 2053 around 7.38 to 7.39 with a target of 7.32% and a stop loss of 7.42%.
- Buy 7.25% GS 2063 around 7.38 to 7.39 with a target of 7.32% and a stop loss of 7.42%

(Source: Bloomberg, GEPL Capital Research)

Economic Calendar

DATA	DATE
India's WPI Data	15-Jan-2024
Swedish CPI Data	15-Jan-2024
German WPI & GDP Data	15-Jan-2024
German CPI Data	16-Jan-2024
Italian CPI Data	16-Jan-2024
Irish CPI Data	16-Jan-2024
Canada CPI Data	16-Jan-2024
Chinese IIP & GDP Data	17-Jan-2024
GBP CPI Data	17-Jan-2024
OPEC Monthly Report	17-Jan-2024
U.S IIP Data	17-Jan-2024
U.S Jobless Claims	17-Jan-2024
Japan CPI & IIP Data	18-Jan-2024

(Source: Bloomberg)

Invest Now

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