

Debt Market Watch

Weekly Newsletter

23rd January, 2024

Economic Indicator

Particulars	19-01-24	12-01-24	Change
5 Year Indian Govt. Bond (%)	7.06	7.07	-0.01
10 Year Indian Govt. Bond(%) (7.18% GS 2033)	7.18	7.18	0
15 Year Indian Govt. Bond(%)	7.28	7.29	-0.01
Call Money Market (%)	6.6	6.00	0.6
Brent Crude Oil (in Dollar/barrel)	78.6	78.29	0.31
US 10 Year Treasury (%)	4.13	3.95	0.18
UK 10 Year Treasury (%)	3.95	3.8	0.15
Rupee Vs Dollar	83.11	82.87	0.24
FOREX Reserves with RBI (in Dollar/bn)	618.94	617.3	1.64

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 7.12% to 7.18%.
(GEPL Capital Research)

Interest Rate Futures

IRF OPEN INTEREST (w.o.w)				
Security	Contract	19-Jan-24	12-Jan-24	Change
7.18% GOI 2033	25-Jan-2024	20455	22072	1617

IRF PRICE (w.o.w)				
Security	Contract	19-Jan-24	12-Jan-24	Change
7.18% GOI 2033	25-Jan-2024	99.98	100.15	-0.17

(GEPL Capital Research)

Auction Scheduled For The Week

Date	Instru-ment	Expected Security	Nature of Flow	Amount (Cr)
23-Jan-24	SDL	13 States	Auction	24280
24-Jan-24	T-Bills	91 DTB	Auction	8000
24-Jan-24	T-Bills	182 DTB	Auction	10000
24-Jan-24	T-Bills	364 DTB	Auction	9000
25-Jan-24	G-Sec	7.37% GS 2028	Auction	7000
25-Jan-24	G-Sec	7.18% GS 2033	Auction	16000
25-Jan-24	G-Sec	7.46% GS 2073	Auction	10000

(Source: www.rbi.org.in)

Government Security Market Update :

Indian government bond yields had eased earlier in the week after India's core inflation declined to a four-year low of around 3.8% in December, with some economists pointing to a possibility of a change in policy stance to 'neutral' in February. Meanwhile, U.S. yields rose on Wednesday after stronger-than-expected U.S. retail sales and an unexpected rise in UK inflation in December strengthened the case that interest rate cuts will not be as aggressive as estimated. The 10-year yield hit a five-week high of 4.13%, while the two-year yield, a close indicator of interest rate expectations, jumped 20 basis points in two sessions through Wednesday to around 4.35%. Traders have trimmed the odds of a Fed rate cut to around 61%, down from 68% last Tuesday, according to the CME's FedWatch Tool. Earlier during the week the nine states sold 7-30 years loans in the range of 7.56 to 7.73% and in the Treasury bill auction the Reserve Bank of India sold 91; 182 & 364 DTB at a yield of 6.9698; 1701 & 7.1540 percent respectively. In a weekly auction the government sold 7.33% GS 2026; 7.18% GS 2037; 7.25% GS 2063 & New Sovereign Green Bond 2054 at a yield of 7.0533; 7.2964; 7.4198 & 7.37 percent respectively.

The yield on the 7.18% Government bond due August 2033 fell to 7.1790% from last week level of 7.1795%.

Global Debt Market Update:

The yield on the US 10-year Treasury note was marginally lower at 4.14%. The 2-year Treasury yield was up 4 basis points at 4.397% as investors digested the latest jobs data and comments by officials of the Federal Reserve. Weekly jobless claims surprised economists Thursday by coming in at their lowest level since September 2022, in a further indication of the strength of the U.S. jobs market. The Thursday jobs data was the latest in a string of strong economic data points for the U.S. Earlier in the week, retail sales for December beat expectations, and on Tuesday yields jumped after Federal Reserve Governor Christopher Waller said the central bank will likely cut interest rates, but that it "can and should be lowered methodically and carefully." The prospect of a Fed cut by the March meeting was down to 56% yesterday and has moved down further to 55% overnight, it's lowest since the Fed's last meeting in December.

Bond Market Ahead:

With the Maharashtra government declaring public holiday on January 22, Monday, the bond market will remain closed and the traders will see the movement at the US Treasury market and a possible announcement of the new 10-year benchmark. An introduction of the new 10-year benchmark may spark the upward price movement in bonds and if US Treasuries easing than move towards 7.10% can be possible in the week. Going further in the next week all eyes will be on the Union budget. Finance Minister Nirmala Sitharaman will opt for a further reduction in the fiscal deficit to 5.3 per cent of India's gross domestic product. The government will meet the FY24 commitment to reduce the important number to 5.9 percent and further it will consolidate to 5.3 per cent of GDP and likely net borrowing will be around Rs.11.6 lakh crore. With foreign portfolio investments in the Fully Accessible Route (FAR) for Indian government bonds continuing at a fast clip ahead of their June inclusion in a global index, international players now own a record one-fifth of one of the most highly liquid domestic sovereign papers. As of January 18, foreign funds owned 21.2%, or ₹10,398 crore worth, of outstanding stock of a government bond maturing in 2028, Clearing Corporation of India data showed.

Bond Strategy:

- Buy 7.18% GS 2037 around 7.29 to 7.30 with a target of 7.23% and a stop loss of 7.34%.
- Buy 7.25% GS 2063 around 7.39 to 7.40 with a target of 7.34% and a stop loss of 7.44%.
- BUY 10-15 Years SDL in auction in the range of 7.66-72%.

(Source: Bloomberg, GEPL Capital Research)

Economic Calendar

DATA	DATE
BoJ Interest Rate Decision	23-Jan-2024
Singapore CPI Data	23-Jan-2024
New Zealand CPI Data	24-Jan-2024
Malaysian Interest Rate Decision	24-Jan-2024
South African CPI Data	24-Jan-2024
BoC Interest Rate Decision	24-Jan-2024
South Korean GDP Data	25-Jan-2024
South African Interest Rate Decision	25-Jan-2024
ECB Interest Rate Decision	25-Jan-2024
US GDP & Jobless Claims Data	25-Jan-2024
Japan CPI Data & Monetary Policy Meeting Minutes	26-Jan-2024
Singapore IIP Data	26-Jan-2024

(Source: Bloomberg)

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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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