

### Economic Indicator

Particulars	23-02-2024	16-02-2024	Change
5 Year Indian Govt. Bond (%)	7.08	7.08	-
10 Year Indian Govt. Bond(%) (7.18% GS 2033)	7.08	7.10	-0.02
15 Year Indian Govt. Bond(%)	7.12	7.13	-0.01
Call Money Market (%)	6.1	6.75	-0.65
Brent Crude Oil (in Dollar/barrel )	80.8	83.47	-2.67
US 10 Year Treasury (%)	4.26	4.30	-0.04
UK 10 Year Treasury (%)	4.11	4.11	-
Rupee Vs Dollar	82.88	83.02	-0.14
FOREX Reserves with RBI (in Dollar/bn)	616.1	617.23	-1.13

### 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	Jan 2024 (released on 12-Feb-2024)	Dec 2023 (released on 12-Jan-2024)	Change
CPI DATA (%) (Monthly)	5.10	5.69%	-0.59
DATA	Dec 2023 (released on 12-Feb-2024)	Nov 2023 (released on 12-Jan-2024)	Change
IIP DATA (Monthly)	3.8%	2.4%	1.40



### Yield Outlook for the week

The Indian 10 year Benchmark (7.18% GS 2033) likely to move in the range of 7.02% to 7.08%.

(GEPL Capital Research)

### Interest Rate Futures

IRF OPEN INTEREST (w.o.w)				
Security	Contract	23-Feb-24	16-Feb-24	Change
7.18% GOI 2033	29-Feb-2024	26374	26000	374
IRF PRICE (w.o.w)				
Security	Contract	23-Feb-24	16-Feb-24	Change
7.18% GOI 2033	29-Feb-2024	100.60	100.55	0.05

(GEPL Capital Research)

### Auction Scheduled For The Week

Date	In-strum ent	Expected Security	Nature of Flow	Amount (Cr)
27-Feb-24	SDL	12 States	Auction	32849
28-Feb-24	T-Bills	91 DTB	Auction	10000
28-Feb-24	T-Bills	182 DTB	Auction	15000
28-Feb-24	T-Bills	364 DTB	Auction	9000

(Source: www.rbi.org.in)

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### Government Security Market Update :

Indian government bond yields were steady on Friday amid a lack of fresh triggers, while market participants digested minutes of the central bank's February meeting that showed most members considered current interest rates as appropriate and one member Mr. Jayant Verma voted for a repo rate cut by 25 bps as he feels that growth and inflation both to be the priority of the central bank. India's benchmark 10-year bond yield ended at 7.0764%, following its previous close at 7.0682%. The yield ended two basis points lower this week. The RBI left the key repo rate unchanged at 6.50% earlier this month, and reiterated its commitment to meet the 4% inflation target on a sustainable basis. During the week, bond investors cheered a sustained demand from foreign investors but elevated U.S. yields on expectations that rate cuts by the Fed be pushed to June limited a fall in local yields. During the week 13 states sold 3-30 years loan in the range of 7.35 to 7.49% and in the Treasury bill auction the Reserve Bank of India sold 91; 182 & 364 DTB at a yield of 7.0184; 7.1888 & 7.1336 percent respectively.

The yield on the 7.18% Government bond due August 2033 fell to 7.0764% from 7.0968% last week.

### Global Debt Market Update:

U.S. Treasury yields were mostly lower on Friday as investors considered the path ahead for interest rates after fresh comments from Federal Reserve speakers. The yield on the 10-year Treasury was down more than 7 basis points at 4.25%. The 2-year Treasury yield was more than 2 basis points lower at 4.69%. January's consumer price index and producer price index readings had both come in hotter than expected, raising concerns about whether inflation is more persistent than many had hoped for. The minutes from the Federal Reserve showed that policymakers were keen to not rush any decisions around rate cuts and instead make them cautiously, depending on data, but also highlighted that central bankers were not expecting any further interest rate hikes. The Bank of Japan may exit negative interest rates as soon as March if this year's wage negotiations result in bumper pay hikes exceeding 4%. The BOJ has kept interest rates at ultra-low levels even as other major central banks tightened monetary policy aggressively since late 2022 to combat surging inflation. An exit from negative rates, which was put in place in 2016, would alter the BOJ's status as a dovish outlier among global central banks, and could trigger shifts in global market flows.

### Bond Market Ahead:

The RBI MPC, for the first time, saw a dissent from external member Prof Jayanth Varma, who opposed the status quo in policy rate and continued to dissent against the "withdrawal of accommodation" stance. Varma argued that with a projected 4.50 percent inflation for FY25, a 2 percent real rate is unnecessary, suggesting 1-1.5 percent is sufficient, allowing for potential rate cuts of 50-100 basis points. Overall, the minutes is setting a tone that we are near to the rate easing cycle and inflation likely to fall in the coming months. The economist and analyst are expecting Fed to start easing rates most likely by May as there is notable shifts in the macro data and Fed's likely bent to ease pre-emptively have led us to assign greater odds to softer landing scenario for the US economy this year. The FOMC expected to cut rates five times in 2024, with the Fed fund rate ending the year at 4-4.25% and will reach to the neutral stance at 2.75 to 3% by the end of 2025. Below table showing the yields' highs and lows and the FFR since 2007.

### Bond Strategy:

- Buy 7.18% GS 2033 around 7.07 to 7.08 with a target of 7.02% and a stop loss of 7.11%.
- Buy 7.18% GS 2037 around 7.11 to 7.12 with a target of 7.06% and a stop loss of 7.16%.
- Buy 7.30% GS 2053 around 7.1350 to 7.14 with a target of 7.09% and a stop loss of 7.17%.

Yields and the Fed Funds Rate Since January 2007				
Instrument	High	Low	Current	Basis Points From Low
30 Year	5.35%	0.99%	4.37%	338
20 Year	5.44%	0.87%	4.51%	364
10 Year	5.26%	0.52%	4.26%	374
5 Year	5.18%	0.19%	4.28%	409
2 Year	5.19%	0.09%	4.67%	458
3 Month	5.63%	0.00%	5.46%	546
FFR	5.41%	0.04%	5.33%	529

As of February 23, 2024

(Source: Bloomberg, GEPL Capital Research)

### Economic Calendar

DATA	DATE
Singapore IIP Data	26-Feb-2024
Russia IIP Data	26-Feb-2024
Japan CPI Data	27-Feb-2024
Brazil CPI Data	27-Feb-2024
New Zealand Interest rate decision	28-Feb-2024
Hong Kong GDP Data	28-Feb-2024
US GDP Data	28-Feb-2024
Russia GDP & IIP Data	28-Feb-2024
Japan IIP Data	29-Feb-2024
Canada GDP Data	29-Feb-2024
US Jobless Claims	29-Feb-2024
Italian CPI Data	01-Mar-2024
Brazil GDP Data	01-Mar-2024

(Source: Bloomberg)

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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