



# Debt Market Watch

## Weekly Newsletter

18th March, 2024

### Economic Indicator

Particulars	15-03-2024	7-03-2024	Change
5 Year Indian Govt. Bond (%)	7.07	7.05	-0.02
10 Year Indian Govt. Bond(%) (7.18% GS 2033)	7.06	7.03	-0.03
15 Year Indian Govt. Bond(%)	7.12	7.1	-0.01
Call Money Market (%)	6.18	5.75	-0.7
Brent Crude Oil (in Dollar/barrel )	85.35	82.08	0.17
US 10 Year Treasury (%)	4.31	4.09	-0.16
UK 10 Year Treasury (%)	4.13	3.98	-0.14
Rupee Vs Dollar	82.89	82.75	-0.16
FOREX Reserves with RBI (in Dollar/bn)	636.09	625.63	6.56

### 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-Mar-2024)	Jan 2024 (released on 12-Feb-2024)	Change
CPI DATA (%) (Monthly)	5.09	5.10	-0.01

  

DATA	Dec 2023 (released on 12-Mar-2024)	Dec 2023 (released on 12-Feb-2024)	Change
IIP DATA (Monthly)	3.98%	3.8%	0.18



### Yield Outlook for the week

The Indian 10 year Benchmark (7.18% GS 2033) likely to move in the range of 7.03% to 7.07%.  
(GEPL Capital Research)

### Interest Rate Futures

IRF OPEN INTEREST (w.o.w)				
Security	Contract	15-Mar-24	7-Mar-24	Change
7.18% GOI 2033	28-Mar-2024	24612	26138	-1526

  

IRF PRICE (w.o.w)				
Security	Contract	15-Mar-24	7-Mar-24	Change
7.18% GOI 2033	28-Mar-2024	100.81	101.00	0.19

(GEPL Capital Research)

### Auction Scheduled For The Week

Date	Instrument	Expected Security	Nature of Flow	Amount (Cr)
19-Mar-24	SDL	17 States	Auction	50206
20-Mar-24	T-Bills	91 DTB	Auction	10000
20-Mar-24	T-Bills	182 DTB	Auction	15000
20-Mar-24	T-Bills	364 DTB	Auction	9000

(Source: www.rbi.org.in)

### Government Security Market Update :

Indian government bond yields inched higher to wrap up the week and the benchmark 10-year yield ended at 7.0644% from 7.04%, which also witnessed the first upward move after four consecutive weeks of fall, mirroring a momentum in Treasury yields, though with a lower magnitude. Earlier in the week the 10-year tested 7% mark and moved in the range of 7 to 7.03% till the release of the February retail inflation numbers. The February CPI came in at 5.09% which was on expected line with core inflation showing downward trend. Earlier in the week the fourteen states sold 2-30 years loan in the range of 7.29 to 7.41% and in the weekly Treasury bill auction the Reserve Bank of India set the cut-off of 91;182 & 364 DTB at a yield of 6.8781; 7.1350 & 7.09% respectively.

The yield on the 7.18% Government bond due August 2033 fell to 7.0644% from 7.0312% last week.

### Global Debt Market Update:

The yield on the U.S. 10-year Treasury was down by less than one basis point at 4.3%. The 2-year Treasury yield was last 3 basis points higher at 4.72%. The benchmark 10-year has added about 22 basis points so far this week. Friday's U.S. economic data showed U.S. industrial production remained relatively flat in February, advancing only 0.1% from January, while manufacturing orders rose 0.8% in February after being revised down sharply in January. The cost of imported goods rose in February for the second month in a row. Yields extended gains on this week's news of higher-than-expected inflation. These include February's consumer price index (CPI) on Tuesday, which rose 0.4%, largely driven by higher gasoline and shelter costs. Thursday's producer price index (PPI) also exceeded forecasts, rising 0.6% in February versus 0.3% expected. The inflation readings marked the final key data release before the Federal Reserve's next meeting on March 19-20. Markets are widely expecting rates to be held steady then. Futures markets are now pricing just 76 basis points of easing for 2024, the least amount so far this year and down from close to 160 basis points at the start of the year. Investors have also become less convinced that the Fed will start easing at the June meeting—also a turnaround from the start of 2024 when markets were fully pricing a rate reduction in March.

### Bond Market Ahead:

The FOMC meet from March 19-20, 2024 will be the major event for the market in the week as the market will be looking for the direction further on the interest rates from the Fed. The February PPI release showed wholesale price inflation for energy, food, and air travel accelerated from a month ago, but price growth for services, including financial services and healthcare, slowed compared to January. Similarly, the latest CPI showed big gains in gasoline and used car prices, but price rises in owners' equivalent rent cooled, with core inflation declining to levels last seen in 2021. The Federal Reserve will tolerate a couple of months of disappointing inflation data, as the US central bank is not expected to make a move until June. Inflation should recede in the coming months on a more balanced labour market and slowing economic growth. On the slower inflation and lower economic growth the Fed is expected to slash rates by 75 bps in FY2024-25 and the U.S. 10-year Treasury yield expected to make a move towards 3.50%. India's CPI is moderating and may move towards 4%, the upper band of the RBI later in the year and may provide room to the RBI MPC to ease the benchmark rates from June 2024 onwards. The lower borrowing numbers and inclusion of the Indian bonds to the J.P. Global bond index will spark the rally and the market will take the direction from the RBI MPC meet which is scheduled in the first week of the April.

### Bond Strategy:

- Buy 7.18% GS 2033 around 7.07 to 7.06% with a target of 7.03% and a stop loss of 7.10%
  - Buy 7.18% GS 2037 around 7.12 to 7.13% with a target of 7.08% and a stop loss of 7.17%
- (Source: Bloomberg, GEPL Capital Research)

### Economic Calendar

DATA	DATE
Chinese IIP Data	18-Mar-2024
BOJ Interest Rate Decision	19-Mar-2024
RBA Interest Rate Decision	19-Mar-2024
Japan IIP Data	19-Mar-2024
Canada CPI Data	19-Mar-2024
GBP CPI & PPI Data	20-Mar-2024
South African CPI Data	20-Mar-2024
Italian IIP Data	20-Mar-2024
Fed Interest Rate Decision	20-Mar-2024
Brazil Interest Rate Decision	21-Mar-2024
New Zealand GDP Data	21-Mar-2024
SNB Interest Rate Decision	21-Mar-2024
Hong Kong CPI Data	21-Mar-2024
BoE Interest Rate Decision	21-Mar-2024
US Jobless claims	21-Mar-2024
Fed Balance Sheet	22-Mar-2024
Japan CPI Data	22-Mar-2024
Russia Interest Rate Decision	22-Mar-2024

(Source: Bloomberg)





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