



Debt Market Watch

Weekly Newsletter

1st April, 2024

Economic Indicator

Particulars	22-03-2024	22-03-2024	Change
5 Year Indian Govt. Bond (%)	7.05	7.11	-0.06
10 Year Indian Govt. Bond(%) (7.18% GS 2033)	7.06	7.09	-0.03
15 Year Indian Govt. Bond(%)	7.09	7.16	-0.07
Call Money Market (%)	6.24	6.24	-
Brent Crude Oil (in Dollar/barrel)	86.99	86.08	0.91
US 10 Year Treasury (%)	4.20	4.25	-0.05
UK 10 Year Treasury (%)	3.98	3.99	-0.01
Rupee Vs Dollar	83.34	83.42	-0.08
FOREX Reserves with RBI (in Dollar/bn)	642.63	642.49	0.14

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 7.01% to 7.07%.
(GEPL Capital Research)

Interest Rate Futures

IRF OPEN INTEREST (w.o.w)				
Security	Contract	28-Mar-24	22-Mar-24	Change
7.18% GOI 2033	25-Apr-2024	28892	20148	8744

IRF PRICE (w.o.w)				
Security	Contract	28-Mar-24	22-Mar-24	Change
7.18% GOI 2033	25-Apr-2024	100.83	100.58	0.25

(GEPL Capital Research)

Auction Scheduled For The Week

Date	Instrument	Expected Security	Nature of Flow	Amount (Cr)
02-Apr-24	SDL	7 States	Auction	16100
03-Apr-24	T-Bills	91 DTB	Auction	12000
03-Apr-24	T-Bills	182 DTB	Auction	7000
03-Apr-24	T-Bills	364 DTB	Auction	8000
03-Apr-24	T-Bills	364 DTB	Auction	8000
05-Apr-24	G-Sec	7.37% GS 2028	Auction	6000
05-Apr-24	G-Sec	New 10 Year GS 2034	Auction	20000
03-Apr-24	T-Bills	New 40 Year GS 2064	Auction	12000

(Source: www.rbi.org.in)

Government Security Market Update :

Indian government bond yield dipped across the curve after the release of the borrowing calendar for the H1 of FY2025, which is lower than the expectations of the 58%. The lower supply in the first half will pull the yield down as the demand for the government bonds will go up as the bonds are going to list on the global index in June 2024 and possible rate cut from the Fed in June will support the price of the bonds. The 10-year yield dipped to 7.03% before it make a close at 7.05% and going forward there will be more demand for the shorter end papers as the supply is lower as per the calendar. Weighted average cost of State Government Securities (SGS) eased by 20 basis points to 7.52 per cent in FY24, despite 33 per cent surge in the issuance size. Twenty six states and two Union Territories issued gross SGB' of Rs.10.1 lakh crore in FY2024, 33 per cent higher than the Rs.7.6 lakh crore issued in FY2023. During the week 18 states sold 2-31 years loan in the range of 7.36 to 7.54% and in the Treasury bill auction the Reserve Bank of India sold 91; 182 & 364 DTB at a yield of 7.0101; 71447 & 7.0787% respectively. The yield on the 7.18% Government bond due August 2033 fell to 7.0556% from 7.0927% last week.

Global Debt Market Update:

U.S. Treasury yields fell after a robust auction of \$43 billion in seven –year Treasury notes as expectations rose that the Federal Reserve will soon cut interest rates, ahead of inflation data that could shed insight into such a move. Bond investors are seeing the Fed in the same camp as other major central banks after their slew of meetings last week, when the Bank of England titled more dovish and the European Central Bank flagged a potential rate cut in June. The seven-year notes were sold at a high yield of 4.185%, with primary dealers taking just 12.86%. The seven-year was last down 3.8 basis points at 4.197%. The two-year Treasury yield, which typically moves in step with interest rate expectations, fell 2.7 basis points to 4.57%, while the yield on 10-year Treasury notes fell 4 basis points to 4.194%. Sweden's central bank held its key interest rate at 4% as expected, but said if inflation continue to decline toward the 2% target there was a good chance of a series of rate cut starting in May. The Swiss National Bank cut rates last week, the first major central bank to do so this cycle. The gap between yields on two and 10-year notes seen as a recession harbinger when short-term securities yield more than longer ones was -37.8 basis points. The gap has been negative or inverted since July 2022. The yield on the 30-year Treasury bond was down 4.4 basis points at 4.355%.

Bond Market Ahead:

Indian government's decision to reduce borrowing led by a cut in supply of shorter-tenor papers in the first half of F.Y 2025 is likely to support bond demand and lead to a steepening of the yield curve. India will borrow 7.5 trillion rupees (\$90.04 billion) in April-September, which is 53% of the planned borrowing for the fiscal year, below market expectations of around 58% front-loading. The government will borrow only 1.74 trillion rupees, or 23%, via three-year to seven-year bonds, compared to 2.51 trillion rupees, or 28%, for the same period last year and 2.84 trillion rupees via 10-15 year papers, as compared to 3.38 trillion rupees via 10-14 year papers, both of which account for about 38% of total supply. Securities maturing in three-to-five years may see a steep decline in their yields as the quantum of borrowing that the Centre has announced through securities in that maturity bracket is sharply lower than last year. The focus will be on the RBI MPC meet scheduled from April 3-5, 2024 and the MPC will stick to its policy stance of "withdrawal of accommodation." The RBI hiked rates by 250 basis points between May 2022 and February 2023 and till date the banks have not transmitted fully and only 194 basis points in fresh rupee loans, 168 basis points on one year MCLR and just 113 basis points on total outstanding loans in banking sector. Therefore, the withdrawal of accommodation in this policy is not expected as there is still room for further transmission. India's consumer price inflation was little changed at 5.09% in February, though still above the RBI target of 4% as food prices remained elevated. The fresh buying will be seen by the market participants as the Reserve Bank of India will be auctioning the new 10-year benchmark this week and if everything remains same the new 10-year will be seen below 7% and current 7.18% GS 2033 will be heading towards 7%.

Bond Strategy:

- Buy 7.18% GS 2033 around 7.07 to 7.06 with a target of 7.01% and a stop loss of 7.10%.
- Buy 7.18% GS 2037 around 7.11 to 7.12 with a target of 7.06% and a stop loss of 7.16%.

(Source: Bloomberg, GEPL Capital Research)

Economic Calendar

DATA	DATE
South Korean CPI Data	02-Apr-2024
RBA Meeting Minutes	02-Apr-2024
German CPI Data	02-Apr-2024
Brazil IIP Data	03-Apr-2024
Swiss CPI Data	04-Apr-2024
US Jobless Claims	04-Apr-2024
Philippines CPI Data	05-Apr-2024
Thailand CPI Data	05-Apr-2024
India's Monetary Policy	03-05-Apr-2024
Swedish IIP Data	05-Apr-2024
French IIP Data	05-Apr-2024
Spanish IIP Data	05-Apr-2024

(Source: Bloomberg)





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