



# Debt Market Watch

## Weekly Newsletter

22 April 2024

### Economic Indicator

Particulars	19-04-2024	12-04-2024	Change
5 Year Indian Govt. Bond (%)	7.24	7.15	0.09
10 Year Indian Govt. Bond(%) (7.18% GS 2033)	7.23	7.18	0.05
15 Year Indian Govt. Bond(%)	7.25	7.2	0.05
Call Money Market (%)	6.25	6.4	-0.15
Brent Crude Oil (in Dollar/barrel )	87.38	90.45	-3.07
US 10 Year Treasury (%)	4.62	4.5	0.12
UK 10 Year Treasury (%)	4.27	4.14	0.13
Rupee Vs Dollar	83.37	83.61	-0.24
FOREX Reserves with RBI (in Dollar/bn)	643.16	648.56	-5.4

### 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	Mar 2024 (released on 12-Apr-2024)	Feb 2024 (released on 12-Mar-2024)	Change
CPI DATA (%) (Monthly)	4.85%	5.09%	-0.24

  

DATA	Feb 2023 (released on 12-Apr-2024)	Jan 2023 (released on 12-Mar-2024)	Change
IIP DATA (Monthly)	5.7%	3.98%	1.72



### Yield Outlook for the week

The Indian 10 year Benchmark (7.18% GS 2033) likely to move in the range of 7.17% to 7.22%.  
(GEPL Capital Research)

### Interest Rate Futures

IRF OPEN INTEREST (w.o.w)				
Security	Contract	19-Apr-24	12-Apr-24	Change
7.18% GOI 2033	25-Apr-2024	38630	36752	1878

  

IRF PRICE (w.o.w)				
Security	Contract	19-Apr-24	12-Apr-24	Change
7.18% GOI 2033	25-Apr-2024	99.70	99.95	-0.25

(GEPL Capital Research)

### Auction Scheduled For The Week

Date	Instrument	Expected Security	Nature of Flow	Amount (Cr)
23-Apr-24	SDL	5 States	Auction	12000
24-Apr-24	T-Bills	91 DTB	Auction	12000
24-Apr-24	T-Bills	182 DTB	Auction	7000
24-Apr-24	T-Bills	364 DTB	Auction	8000
26-Apr-24	G-Sec	7.10% GS 2034	Auction	20000
26-Apr-24	G-Sec	New GS 2054	Auction	12000

(Source: www.rbi.org.in)

### Government Security Market Update :

The yield on the benchmark 10-year-government bond (7.18% GS 2033) rose by 4 basis points (bps) to settle at 7.23, compared to 7.19 per cent on Thursday. Traders in the government bond market wound up their positions ahead of the weekend to mitigate risk, contributing to an uptick in yields. The yield on the new 10-year bond has risen by 6 bps since its issuance. The bond market had robust FPI inflows for a year, before a reversal in April. Market participants anticipate that the selling pressure will persist, with the expectation that the bond market will regain its stability following the JP Morgan bond index inclusion in June. In April, foreign investors pulled out a net Rs 6,174 crore from the debt market. Earlier, in the week the consumer price index (CPI) for March was recorded at 4.85% which is lower than the estimation and gave some confidence to the market. During the week the two states sold 5-10 years loan in the range of 7.48 to 7.50% and in the Treasury bill auction the Reserve Bank of India sold 91; 182 & 364 DTB at a yield of 6.8752; 7.0301 & 7.0582 percent respectively. In the weekly auction the cut-off for the new 2064 security was set at 7.34% and sold 7.37% GS 2028 at a yield of 7.2457%. The yield on the 7.18% Government bond due August 2033 rose to 7.2278% from 7.1794% last week.

### Global Debt Market Update:

The U.S. Treasury market experienced a notable shift as the yields on benchmark 10-year Treasuries hit five-month highs, a movement sparked by stronger-than-expected retail sales data from March. In particular, higher sales and thus economic resilience has led to a recalibration of expectations around the Federal Reserve's interest rate policy, with futures markets adjusting the anticipated rate cuts for later this year. Meanwhile, geopolitical tensions, notably Iran's drone and missile attack on Israel, have heightened concerns over inflation due to potential disruption of supply chains and escalating energy prices. These events have injected a dose of inflationary angst into the U.S. rates market. Additionally, comments from Federal Reserve officials, including New York Federal Reserve President John Williams, have highlighted the persistent challenge of inflation, further complicating the Fed's path towards rate adjustments. The yield on the 10-year Treasury fell more than 2 basis points to 4.623%. The 2-year Treasury yield was last at 4.986%, retreating by less than 1 basis point.

### Bond Market Ahead:

The geo-political tension; strong economic data at U.S. and hawkish comments from the Fed officials put U.S. 10-year Treasury yield to surge past 4.50% and 2-year Treasury yield topping 5% mark and faded the path for the rate easing cycle in the near term. The higher yield both at the U.S. & India will be negative for both the broader economy and individual investors. Higher yields indicate rising borrowing costs, which could dampen economic growth by making loans more expensive for consumers and businesses. This scenario may lead to a slowdown in investment and spending, potentially curbing economic expansion. For the housing market, an uptick in mortgage rates could result from these higher yields, cooling demand in an already sensitive sector. Investors, on the other hand, face a changing landscape. The Reserve Bank of India – MPC minutes were released on Friday and majority of the members expressed caution on upside risks to inflation, particularly emanating from uncertainties in food prices. The market will account all the factors and will trade in the range of 5-10 basis points till further strong trigger.

### Bond Strategy:

- Buy 7.18% GS 2033 around 7.22 to 7.23 with a target of 7.17% and a stop loss of 7.25%.
- 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 7.10% GS 2034 around 7.17 to 7.18 with a target of 7.13% and a stop loss of 7.22%.

(Source: Bloomberg, GEPL Capital Research)

### Economic Calendar

DATA	DATE
Singapore CPI Data	23-Apr-2024
Hong Kong CPI Data	23-Apr-2024
Australia CPI Data	24-Apr-2024
South Korean GDP Data	25-Apr-2024
Malaysian CPI Data	25-Apr-2024
US GDP Data	25-Apr-2024
US Jobless Claims	25-Apr-2024
Japan CPI Data	25-Apr-2024
BoJ Monetary Policy Statement	25-Apr-2024
Singapore IIP Data	26-Apr-2024
Russia Interest Rate Decision	26-Apr-2024
Brazil CPI Data	26-Apr-2024
Russia GDP Data	26-Apr-2024
Japan CPI Data	26-Apr-2024

(Source: Bloomberg)

Invest Now



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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