



# Debt Market Watch

## Weekly Newsletter

18 June, 2024

### Economic Indicator

Particulars	14-06-2024	07-06-2024	Change
5 Year Indian Govt. Bond (%)	7.00	7.02	-0.02
10 Year Indian Govt. Bond(%) (7.18% GS 2033)	6.98	7.02	-0.04
15 Year Indian Govt. Bond(%)	7.03	7.03	0.00
Call Money Market (%)	6.75	6	0.75
Brent Crude Oil (in Dollar/barrel )	82.67	79.62	3.05
US 10 Year Treasury (%)	4.22	4.43	-0.21
UK 10 Year Treasury (%)	4.08	4.27	-0.19
Rupee Vs Dollar	83.55	83.53	0.02
FOREX Reserves with RBI (in Dollar/bn)	655.82	651.51	4.31

### Policy Rates

Repo Rate	6.50%
Standing Deposit Facility Rate	6.25%
CRR	4.50%
Reverse Repo Rate	3.35%

— Adverse + Favor

(Source: Bloomberg/www.rbi.org.in)

DATA	May 2024 (released on 12-June-2024)	Apr 2024 (released on 13-May-2024)	Change
CPI DATA (%) (Monthly)	4.75%	4.83%	-0.08

  

DATA	April 2024 (released on 12-June-2024)	Mar 2024 (released on 10-May-2024)	Change
IIP DATA (Monthly)	4.98%	4.90%	-0.80



### Yield Outlook for the week

The Indian 10 year Benchmark (7.10% GS 2034) likely to move in the range of 6.94% to 6.99%.

(GEPL Capital Research)

### Interest Rate Futures

IRF OPEN INTEREST (w.o.w)				
Security	Contract	14-June-24	07-June-24	Change
7.10% GOI 2034	27-June-2024	210	14840	-14630

  

IRF PRICE (w.o.w)				
Security	Contract	14-June-24	07-June-24	Change
7.10% GOI 2034	27-June-2024	100.85	100.54	0.31

(GEPL Capital Research)

### Auction Scheduled For The Week

Date	Instru-ment	Expected Security	Nature of Flow	Amount (Cr)
18-June-24	SDL	6 States	Auction	9500
19-June-24	T-Bills	91 DTB	Auction	4000
19-June-24	T-Bills	182 DTB	Auction	4000
19-June-24	T-Bills	364 DTB	Auction	4000
21-June-24	G-Sec	7.04% GS 2029	Auction	12000
21-June-24	G-Sec	7.46% GS 2073	Auction	11000

(Source: www.rbi.org.in)

### Government Security Market Update :

India's 10-year benchmark sovereign bond yield retreated below 7% on lower than expected domestic and US inflation prints. Yield on the 10-year securities retreated to 6.98% Thursday after India's retail inflation eased to a one-year low of 4.75% in May, as against an 11-month low of 4.83% the previous month. Sharp moves in India yields were limited on hawkish FOMC outcome, wherein the committee revised its dot-plot lower – indicating one rate cut this year. During the week the seven states sold 6-25 years loan in the range of 7.35 to 7.41% and in the Treasury bill auction the Reserve Bank of India sold 91; 182 & 364 DTB at a yield of 6.8370; 6.9925 & 7.0111% respectively. In a weekly auction the demand for the central government securities at these levels seems to be on the higher side and the RBI set the cut off for New GS 2031 at a yield of 7.02% and sold other securities 7.23% GS 2039 & 7.34% GS 2064 at a yield of 7.0343 & 7.1175% respectively. The yield on the 7.10% Government bond due April 2034 fell to 6.9832% from 7.0168% last week.

### Global Debt Market Update:

Longer-dated U.S. Treasury yields edged lower on Friday, after economic data provided the latest indication that inflation may be cooling, with the benchmark 10-year Treasury yield on pace for its biggest weekly drop of the year. The Labor Department said U.S. import prices dropped 0.4% last month, below the estimate for a 0.1% rise, following an unrevised 0.9% jump in April as prices for energy products retreated, another positive sign for the inflation outlook. The report comes after data earlier this week indicated the labor market and price pressures were showing signs of cooling. The yield on the benchmark U.S. 10-year Treasury note fell 2.3 basis points to 4.217%. The yield is down nearly 22 bps on the week, on track for its biggest weekly fall since mid-December. On Wednesday, the Federal Reserve held interest rates steady on Wednesday and pushed out the start of rate cuts to perhaps as late as December. The yield on the 30-year bond fell 5 basis points to 4.351%. A closely watched part of the U.S. Treasury yield curve measuring the gap between yields on two- and 10-year Treasury notes, seen as an indicator of economic expectations, was at a negative 47.7 basis points. The two-year U.S. Treasury yield, which typically moves in step with interest rate expectations, rose 0.4 basis points to 4.692%.

### Bond Market Ahead:

With the comfortable inflation numbers for May in India & U.S. and easing of the yields at U.S. counter-parts will add to the positives tone on the bond street and the rally can be extended till 6.90% this time on the 10-year benchmark yield from a previous low of 6.94%. Leading rating firm CRISIL is of the view that inflation is expected to average 4.50 percent for the current financial year. Markets are back to fighting a battle that most participants suggest can never be won. Investors are betting that the Federal Reserve is likely to implement the first of two rate cuts this fall, even as the central bank has stressed that it's not ready to declare victory in the war against inflation. The Foreign banks stepped up purchases after a softer than expected US inflation print ramped up rate cut bets, with India's inclusion in JP Morgan's emerging debt index also a factor. The bulk of buying took place in the 10-years and above securities which clear indicates the fall of the yields in the near term. On the comfortable cash position the government has already reduced the size of the Treasury bills by Rs.60,000 crore and conducted the series of the buy-back in the short term securities and the market is anticipating the lower borrowing numbers in the final July budget.

### Bond Strategy:

- Buy 7.18% GS 2033 around 7.03 to 7.02 with a target of 6.99% and a stop loss of 7.05%.
- Buy 7.10% GS 2034 around 6.99 to 6.98 with a target of 6.94% and a stop loss of 7.02%.

(Source: Bloomberg, GEPL Capital Research)

### Economic Calendar

DATA	DATE
Chinese IIP Data	17-June-2024
Italian IIP Data	17-June-2024
Russia GDP Data	17-June-2024
Australia RBA interest rate decision Data	18-June-2024
US IIP Data	18-June-2024
Japan Monetary Policy Meeting Minutes	19-June-2024
GBP CPI Data	19-June-2024
South Africa CPI Data	19-June-2024
ECB Non -Monetary Policy Meeting Minutes	19-June-2024
Brazil Interest Rate Decision Data	20-June-2024
New Zealand GDP Data	20-June-2024
Swiss SNB Interest Rate Decision	20-June-2024
BoE Interest Rate Decision	20-June-2024
BoE MPC Meeting Minutes	20-June-2024
US Jobless Claims	20-June-2024
Japan CPI Data	21-June-2024
Hong Kong CPI Data	21-June-2024
India RBI MPC Meeting Minutes	21-June-2024

(Source: Bloombergberg)





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