



Debt Market Watch

Weekly Newsletter

8th July, 2024

Economic Indicator

| Particulars | 05-07-2024 | 28-06-2024 | Change |
|--|------------|------------|--------|
| 5 Year Indian Govt. Bond (%) | 6.98 | 7.00 | -0.02 |
| 10 Year Indian Govt. Bond(%) (7.18% GS 2033) | 6.99 | 7.01 | -0.02 |
| 15 Year Indian Govt. Bond(%) | 7.03 | 7.03 | 0 |
| Call Money Market (%) | 6.05 | 6.25 | -0.2 |
| Brent Crude Oil (in Dollar/barrel) | 86.86 | 85 | 1.86 |
| US 10 Year Treasury (%) | 4.28 | 4.34 | -0.06 |
| UK 10 Year Treasury (%) | 4.18 | 4.18 | 0 |
| Rupee Vs Dollar | 83.47 | 83.36 | 0.11 |
| FOREX Reserves with RBI (in Dollar/bn) | 651.99 | 653.71 | -1.72 |

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 6.97% to 7.01%.
(GEPL Capital Research)

Interest Rate Futures

| IRF OPEN INTEREST (w.o.w) | | | | |
|---------------------------|--------------|------------|------------|--------|
| Security | Contract | 05-July-24 | 28-June-24 | Change |
| 7.10% GOI 2034 | 25-July-2024 | 10077 | 9937 | 140 |

| IRF PRICE (w.o.w) | | | | |
|-------------------|--------------|------------|------------|--------|
| Security | Contract | 05-July-24 | 28-June-24 | Change |
| 7.10% GOI 2034 | 25-July-2024 | 100.70 | 100.62 | 0.08 |

(GEPL Capital Research)

Auction Scheduled For The Week

| Date | Instrument | Expected Security | Nature of Flow | Amount (Cr) |
|------------|------------|-------------------|----------------|-------------|
| 09-July-24 | SDL | 5 States | Auction | 6100 |
| 10-July-24 | T-Bills | 91 DTB | Auction | 8000 |
| 10-July-24 | T-Bills | 182 DTB | Auction | 6000 |
| 10-July-24 | T-Bills | 364 DTB | Auction | 6000 |
| 12-July-24 | G-Sec | 7.02% GS 2031 | Auction | 11000 |
| 12-July-24 | G-Sec | 7.34% GS 2064 | Auction | 11000 |

(Source: www.rbi.org.in)

Government Security Market Update :

Indian government bond yields ended lower amid a pullback in U.S. Treasury yields, while traders still assessed the pace of foreign inflows into debt after domestic securities were included in a global index. Investors continue to gauge the pace of foreign inflows into Indian government bonds over the next few days after an underwhelming response so far, since the inclusion of local debt in the JPMorgan index on June 28. Foreign investors have bought bonds under the Fully Accessible Route, which are now a part of the index, worth only 37.7 billion rupees (\$451.42 million) on a net basis in first three days of the index inclusion. Earlier during the week eight states sold 9-24 years loan in the range of 7.35 to 7.42% and in the Treasury bill auction the Reserve Bank of India sold 91; 182 & 364 DTB at a yield of 6.7810; 6.90 & 6.9498% respectively. In a weekly auction the government managed to sell 7.02% GS 2027; 7.23% GS 2039 & 7.30% GS 2053 at a yield of 6.9577; 7.0391 & 7.0837% respectively.

The yield on the 7.10% Government bond due April 2034 fell to 6.9926% from 7.0095% last week.

Global Debt Market Update:

The yield on the 10-year Treasury fell more than 6 basis points to 4.28%. The 2-year Treasury yield declined by nearly 8 basis points to 4.61% and the 30-year yield fall to 4.47% as the latest U.S. jobs report showed an unexpected rise in the unemployment rate. The unemployment rate unexpectedly climbed to 4.1%, the highest level since October 2021. Economists expected the unemployment rate to hold steady at 4%. Nonfarm payrolls increased by 206,000 for the month, better than the 200,000 Dow Jones forecast, though less than the downwardly revised gain of 218,000 in May. While policymakers want to see more progress on inflation before lowering interest rates, a worsening labour market could increase the urgency to act soon. Traders upped their bets on a September interest rate cut following Friday's jobs report, with odds of a quarter-point cut increasing to about 75%, up from 64% a week ago.

Bond Market Ahead:

Weaker unemployment report at U.S. strengthening market expectations that the Federal Reserve will begin to cut interest rates in September. Futures markets are now pricing in a roughly 73% chance for a 25 basis point rate cut at the Fed's meeting that concludes September 18th. Overall, markets are pricing in a cumulative 50 basis points in interest rate cuts by the end of the year. The yield on the benchmark U.S. 10-year Treasury note fell 7.1 basis points to 4.276%, leaving it down approximately 20 basis points for the week and near its lowest levels since late June. 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 33.8 basis points. The Indian bond market will react positively to the U.S. Treasuries and will see gap up opening on Monday and likely to drift towards 6.95% in due course of time. The market will also watch the series of the macro data inflowing in the week at domestic and global level like retail inflation numbers; IIPs for further direction.

Bond Strategy:

- Buy 7.10% GS 2034 around 7.00 to 7.01% with a target of 6.97% and a stop loss of 7.04%
- Buy 7.23% GS 2039 around 7.03 to 7.04% with a target of 7.00% and a stop loss of 7.07%
- Buy 7.34% GS 2064 around 7.09 to 7.10% with a target of 7.06% and a stop loss of 7.12%

(Source: Bloomberg, GEPL Capital Research)

Economic Calendar

| DATA | DATE |
|-------------------------------------|---------------|
| Swedish IIP Data | 08-July -2024 |
| Philippines IIP Data | 09-July -2024 |
| Greek CPI Data | 09-July -2024 |
| Chinese CPI Data | 09-July -2024 |
| New Zealand Interest Rate Decision | 10-July -2024 |
| Italian IIP Data | 10-July -2024 |
| Portuguese CPI Data | 10-July -2024 |
| OPEC Monthly Report | 10-July -2024 |
| Brazil CPI Data | 10-July -2024 |
| Russia CPI Data | 10-July -2024 |
| South Korean Interest Rate Decision | 11-July -2024 |
| German CPI Data | 11-July -2024 |
| GBP IIP & GDP Data | 11-July -2024 |
| Malaysian Interest Rate Decision | 11-July -2024 |
| US CPI Data & Jobless Claims | 11-July -2024 |
| Singapore GDP Data | 12-July -2024 |
| India's CPI & IIP Data | 12-July -2024 |
| Japan IIP Data | 12-July -2024 |
| German WPI Data | 12-July -2024 |
| French CPI Data | 12-July -2024 |
| Malaysian IIP Data | 12-July -2024 |

(Source: Bloombergberg)

Invest Now



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