



Debt Market Watch

Weekly Newsletter

15th July, 2024

Economic Indicator

Particulars	12-07-2024	05-07-2024	Change
5 Year Indian Govt. Bond (%)	6.96	6.98	-0.02
10 Year Indian Govt. Bond(%) (7.18% GS 2033)	6.99	6.99	-
15 Year Indian Govt. Bond(%)	7.02	7.03	-0.01
Call Money Market (%)	6.55	6.05	0.5
Brent Crude Oil (in Dollar/barrel)	85.03	86.86	-1.83
US 10 Year Treasury (%)	4.19	4.28	-0.09
UK 10 Year Treasury (%)	4.11	4.18	-0.07
Rupee Vs Dollar	83.52	83.47	0.05
FOREX Reserves with RBI (in Dollar/bn)	657.16	651.99	5.17

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	June 2024 (released on 12-July-2024)	May 2024 (released on 12-June-2024)	Change
CPI DATA (%) (Monthly)	5.08%	4.83%	0.25

DATA	May 2024 (released on 12-July-2024)	April 2024 (released on 12-June-2024)	Change
IIP DATA (Monthly)	5.90%	4.90%	1.00



Yield Outlook for the week

The Indian 10 year Benchmark (7.10% GS 2034) likely to move in the range of 6.98% to 7.02%.
(GEPL Capital Research)

Interest Rate Futures

IRF OPEN INTEREST (w.o.w)				
Security	Contract	12-July-24	05-July-24	Change
7.10% GOI 2034	25-July-2024	10851	10077	-774

IRF PRICE (w.o.w)				
Security	Contract	12-July-24	05-July-24	Change
7.10% GOI 2034	25-July-2024	100.75	100.70	0.05

(GEPL Capital Research)

Auction Scheduled For The Week

Date	In-strument	Expected Security	Nature of Flow	Amount (Cr)
15-July-24	G-Sec	7.72% GS 2025 to 6.67% GS 2050; 5.22% GS 2025 to 7.40% GS 2035; 8.20% GS 2025 to 7.54% GS 2036; & 8.24% GS 2033; 5.15% GS 2025 to 6.67% GS 2035; 7.59% GS 2026 to 7.36% GS 2052; & 8.28% GS 2032;; 8.33% GS 2026 to 7.54% GS 2036; 8.24% GS 2027 to 6.62% GS 2051; 6.79% GS 2027 to 7.41% GS 2036; 7.38% GS 2027 to 6.99% GS 2051; 7.38% GS 2027 to 7.40% GS 2035; 8.28% GS 2027 to 8.32% GS 2032	Conversion	25000
16-July-24	SDL	6 States	Auction	6590
18-July-24	T-Bills	91 DTB	Auction	8000
18-July-24	T-Bills	182 DTB	Auction	6000
18-July-24	T-Bills	364 DTB	Auction	6000
19-July-24	G-Sec	7.10% GS 2034	Auction	20000
19-July-24	G-Sec	7.46% GS 2073	Auction	11000

(Source: www.rbi.org.in)

Government Security Market Update :

The 10-year benchmark moved in a narrow band of 7 to 6.97% as traders waiting for the retail inflation numbers which is to be released on Friday after the market hours. Lower CPI numbers in U.S. strengthened the case for a rate cut in September by Fed which pushed the yield lower across the globe. A pronounced increase in government spending after the polls has injected fresh liquidity into the banking system, bringing down overnight borrowing rates, Treasury bill yields and, in turn, short-term financing costs for Indian companies, even as the central bank seems to be in no great hurry to lower policy rates. After being at or above the Reserve Bank of India's repo rate of 6.50% in May and June, the overnight weighted call rate has averaged 6.39% so far in July. During the week the five states sold 10-30 years loan in the range of 7.32 to 7.38% and in the Treasury bill auction the Reserve Bank of India sold 91; 182 & 364 DTB at a yield of 6.7578; 6.8699 & 6.9194% respectively and in the weekly auction the government managed to sell 7.02% GS 2031 & 7.34% GS 2064 at a yield of 6.9890 & 7.1025% respectively. The yield on the 7.10% Government bond due April 2034 rose to 6.9926% from 6.9882% last week.

Global Debt Market Update:

The U.S. Treasury yields had tumbled on Thursday, with the 10-year Treasury yield falling more than 7 basis points and the yield on the 2-year Treasury tumbling more than 11 basis points after the June consumer price index unexpectedly reflected a 0.1% decline from the previous month, and came in at 3% on an annual basis, which was its lowest level in more than three years. The 10-year Treasury yield was marginally lower on Friday as investors looked past a slightly hotter reading of wholesale inflation. The yield on the 10-year Treasury was one basis point lower at 4.182%. The 10-year yield ended last week at 4.28%. Meanwhile, the 2-year Treasury yield fell 5.1 basis points lower to 4.454%. The producer price index data released Friday reflected a slightly hotter-than-expected 0.2% increase in wholesale prices in June. Expectations for the Fed easing monetary policy as soon as September jumped following the CPI data release, with traders last pricing in a more than 90% chance of rates being cut then, according to CME Group's FedWatch Tool.

Bond Market Ahead:

The market will react to higher CPI numbers which were released on Friday after the market hours. India's retail inflation rose to four month high of 5.08 percent in June compared with 4.75 percent in the previous month as food inflation galloped to 9.4 percent. High inflation is unlikely to deter Reserve Bank of India from its current stance of keeping the policy rate on hold. Improvement in rainfall situation across the country and favourable base owing to high inflation in the previous year is likely to keep inflation contained. Rainfall has gained momentum in July, allaying supply concerns and will cool the inflation in the coming months. Now, the markets focus will shift to the Union Budget which is to be presented on July 23. The central government's target is to bring the fiscal deficit down to 5.1% of GDP in FY25 and to 4.5% of GDP in FY26. The government may bring down the borrowing numbers as the RBI has paid a hefty dividend this year and taxation collection has improved.

Bond Strategy:

- Buy 7.10% GS 2034 around 7.01 to 7.02 with a target of 6.98% and a stop loss of 7.05%.
 - Buy 7.34% GS 2064 around 7.12 to 7.13 with a target of 7.08% and a stop loss of 7.16%.
- (Source: Bloomberg, GEPL Capital Research)

Economic Calendar

DATA	DATE
Chinese GDP Data	15-July -2024
India's WPI Data	15-July -2024
Italian CPI Data	16-July -2024
Canada CPI Data	16-July -2024
New Zealand CPI Data	17-July -2024
GBP CPI Data	17-July -2024
US IIP Data	17-July -2024
South African Interest Rate Decision	18-July -2024
New Zealand CPI Data	18-July -2024
Japan CPI Data	18-July -2024
Malaysian GDP Data	18-July -2024
ECB Interest Rate Decision	18-July -2024
US Jobless Claims	18-July -2024

(Source: Bloomberg)





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