



Debt Market Watch

Weekly Newsletter

4th November, 2024

Economic Indicator

Particulars	31-10-2024	25-10-2024	Change
5 Year Indian Govt. Bond (%)	6.78	6.77	0.01
10 Year Indian Govt. Bond(%) (6.79% GS 2034)	6.81	6.80	0.01
15 Year Indian Govt. Bond(%)	6.87	6.88	-0.01
Call Money Market (%)	5.75	6.4	-0.65
Brent Crude Oil (in Dollar/barrel)	73.1	75.63	-2.53
US 10 Year Treasury (%)	4.37	4.24	0.13
UK 10 Year Treasury (%)	4.45	4.24	0.21
Rupee Vs Dollar	84.13	84.1	0.03
FOREX Reserves with RBI (in Dollar/bn)	684.81	688.27	-3.46

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	Aug 2024 (released on 14-Oct-2024)	July 2024 (released on 12-Aug-2024)	Change
CPI DATA (%) (Monthly)	5.49	3.65%	1.84

DATA	August 2024 (released on 12-Oct-2024)	July 2024 (released on 12-Sept-2024)	Change
IIP DATA (Monthly)	-0.1	4.80%	4.7



Yield Outlook for the week

The Indian 10 year Benchmark (6.79% GS 2034) likely to move in the range of 6.81% to 6.85%.

(GEPL Capital Research)

Interest Rate Futures

IRF OPEN INTEREST (w.o.w)				
Security	Contract	31-Oct-24	25-Oct-24	Change
7.10% GOI 2034	28-Nov-2024	47,388	50,759	-3371

IRF PRICE (w.o.w)				
Security	Contract	31-Oct-24	25-Oct-24	Change
7.10% GOI 2034	28-Nov-2024	101.73	101.70	0.03

(GEPL Capital Research)

Auction Scheduled For The Week

Date	Instrument	Expected Security	Nature of Flow	Amount (Cr)
5-Nov -24	SDL	8 States	Auction	9,467
6-Nov -24	G-Sec	91 DTB	Auction	7,000
6-Nov -24	G-Sec	182 DTB	Auction	6,000
6-Nov -24	G-Sec	364 DTB	Auction	6,000
8-Nov -24	G-Sec	7.02% GS 2027	Auction	7,000
8-Nov -24	G-Sec	New 40 Year Gsec (2064)	Auction	15,000

(Source: www.rbi.org.in)

Government Security Market Update :

India's 10-year benchmark government bond yield logged its biggest jump in six months in October and ended the week at 6.849% as the rally in the US Treasuries outweighed the effect of the local central bank easing its policy stance. Yields had declined in early October after the Reserve Bank of India eased its policy stance to 'neutral', prompting expectations that rate cuts could start as soon as December. However, those hopes were dimmed a few days later after RBI Governor Shaktikanta Das said it would be very premature to cut rates at this stage. The jump in yields, however, was tempered by value buying, especially by state-run banks that net bought nearly \$5 billion in bonds from the secondary market this month, per clearing house data. Earlier during the week the ten states sold 5-30 years loan in the range of 7.0308 to 7.17% and in the Treasury bill auction the Reserve Bank of India sold 91;182 & 364 DTB at a yield of 6.5116; 6.6404 & 6.5991 percent respectively.

The yield on the 6.79% Government bond due October 2034 rose to 6.8114% from 6.8046% last week.

Global Debt Market Update:

Bond-market traders shook off Friday's weak nonfarm payrolls report for October by sending the benchmark 10-year yield to its highest level since early July, which may have sapped some momentum out of the stock-market's rally. October's jobs data was released, stunning market participants by revealing only 12,000 new jobs were created, well below economists' median forecast for a gain of 110,000. The 10-year yield briefly fell as much as 6 basis points to 4.22% within the first 30 minutes of the data release, then quickly turned higher and kept climbing. The rate finished at a four-month high of 4.361%. Treasury yields have been climbing since September on a combination of strong U.S. economic data, rising worry about the outlook for the U.S. deficit and inflation, and a higher term premium that's meant to compensate investors for the risk of holding longer-dated government debt. The 10-year rate has jumped 73.9 basis points from its 52-week low of 3.62% reached on Sept. 16. October was the worst month for the US Treasuries as volatility has picked up in anticipation of the face-off between Donald Trump and Kamala Harris on Nov. 5 and uncertainty about the Fed's policy path. Traders are pricing in about a 90% chance the Fed cuts rates by a quarter point next week - smaller than September's half-point reduction. Swap rates anticipate a total of about 117 basis points of easing over the next 12 months, about 67 basis points less than at the beginning of October.

Bond Market Ahead:

The Indian bond market will follow the trend at the US Treasuries as the US bonds edged higher in early trading Friday after ending October with their worst monthly performance in two years. With the election and a Fed meeting days away, a measure of daily yield swings is at its highest in a year as traders position for further losses that could send 10-year yields as high as 4.5% over the next three weeks - compared with just under 4.3% currently. The U.S. Federal Reserve will cut its key interest rate by 25 basis points on November 7 according to all 111 economist in Reuter's poll. The Fed's next policy meeting is scheduled to start just after the Nov 5 U.S. presidential election, with opinion polls showing a neck and neck race but recent momentum behind Republican candidate Donald Trump. The current spread between the U.S. 10-year Treasury yield and Indian 10-year benchmark has narrowed to roughly 250 from 300 basis points as the Indian market is expecting a fall in the inflation going forward as the crude oil and food prices to ease and the yields are hardening in U.S. primarily on the election outcome which might create long-term deficit fear. At some point of time the U.S Treasuries may top-out and will fall drastically from the current rate of 4.39% as the Fed is expected to lower the rates in the coming monetary policy meets.

Bond Strategy:

- Buy 6.79% GS 2034 around 6.84 to 6.85 with a target of 6.81% and a stop loss of 6.88%.
- Buy 7.23% GS 2039 around 6.91 to 6.92 with a target of 6.87% and a stop loss of 6.95%.

(Source: Bloomberg, GEPL Capital Research)

Economic Calendar

DATA	DATE
South Korean CPI Data	04- Nov-2024
RBA Interest Rate Decision	04 -Nov-2024
French IIP Data	05 -Nov-2024
Japan Monetary Policy Meeting Minutes	05 -Nov-2024
US Presidential Election	05 -Nov-2024
Brazil Interest Rate Decision	06 -Nov-2024
German IIP Data	07 -Nov-2024
Spanish IIP Data	07 -Nov-2024
BoE Interest Rate Decision	07 -Nov-2024
US Jobless claims	07 -Nov-2024
Fed Interest Rate Decision	07 -Nov-2024
Italian IIP Data	08 -Nov-2024
Brazil CPI Data	08 -Nov-2024
China's CPI Data	08 -Nov-2024

(Source: Bloomberg)

Invest Now →



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