



# Debt Market Watch

## Weekly Newsletter

7th October, 2024

### Economic Indicator

Particulars	04-102024	27-09-2024	Change
5 Year Indian Govt. Bond (%)	6.74	6.68	0.06
10 Year Indian Govt. Bond(%) (7.18% GS 2033)	6.83	6.76	0.07
15 Year Indian Govt. Bond(%)	6.88	6.81	0.07
Call Money Market (%)	6.45	6.5	-0.05
Brent Crude Oil (in Dollar/barrel )	78.14	71.54	6.6
US 10 Year Treasury (%)	3.97	3.75	0.22
UK 10 Year Treasury (%)	4.13	3.98	0.15
Rupee Vs Dollar	84.03	83.72	0.31
FOREX Reserves with RBI (in Dollar/bn)	704.89	692.3	12.59

### 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 12-Sept-2024)	July 2024 (released on 12-Aug-2024)	Change
CPI DATA (%) (Monthly)	3.65%	3.54%	0.11

  

DATA	July 2024 (released on 12-Sept-2024)	June 2024 (released on 12-Aug-2024)	Change
IIP DATA (Monthly)	4.8%	4.20%	0.6



### Yield Outlook for the week

The Indian 10 year Benchmark (7.10% GS 2034) likely to move in the range of 6.85% to 6.90%.

(GEPL Capital Research)

### Interest Rate Futures

IRF OPEN INTEREST (w.o.w)				
Security	Contract	04-Oct-24	27-Sept-24	Change
7.10% GOI 2034	31-Oct-2024	55099	49914	5185

  

IRF PRICE (w.o.w)				
Security	Contract	04-Oct-24	27-Sept-24	Change
7.10% GOI 2034	31-Oct-2024	101.85	102.35	-0.51

(GEPL Capital Research)

### Auction Scheduled For The Week

Date	Instrument	Expected Security	Nature of Flow	Amount (Cr)
08-Oct-24	SDL	11 States	Auction	18700
09-Oct-24	G-Sec	91 DTB	Auction	7000
09-Oct-24	G-Sec	182 DTB	Auction	6000
09-Oct-24	G-Sec	364 DTB	Auction	6000
10-Oct-24	G-Sec	7.72% GS 2025; 5.22% GS 2025; 8.20% GS 2025; 5.15% GS 2025; 7.59% GS 2026	Buyback	25000
11-Oct-24	G-Sec	7.04% GS 2029	Auction	14000
11-Oct-24	G-Sec	7.34% GS 2064	Auction	15000

(Source: www.rbi.org.in)

### Government Security Market Update :

Indian government bond yields rose across the curve on Friday as the tension at Middle East is escalating and higher crude oil prices. The benchmark 10-year yield ended at 6.8339%, the highest since Sept. 12, compared with its previous close of 6.7765%. Oil prices continued to climb on Friday as investors weighed the prospect of a wider Middle East conflict disrupting crude flows against a well-supplied global market. Oil prices affect domestic retail inflation as India is one of the largest importers of the commodity to the nearly 80%. Earlier in the day, New Delhi raised 390 billion rupees via a weekly bond auction. It included a new 10-year bond, which will soon replace the current benchmark paper. The new 10-year benchmark was auctioned at a yield of 6.79% and sold other securities 7.02% GS 2027 & 7.46% GS 2073 at a yield of 6.6878 & 6.9773% respectively. Earlier in a week the twelve states sold 3-25 years loan in the range of 6.90 to 7.15% and in the weekly Treasury bill auction the Reserve Bank of India sold 91; 182 & 364 DTB at a yield of 6.4739; 6.5630 & 6.5487% respectively.

The yield on the 7.10% Government bond due April 2034 rose to 6.8339% from 6.7609% last week.

### Global Debt Market Update:

The U.S. 10-year Treasury yield rose around 12 basis points to 3.971% and the yield on the 2-year Treasury was 21 basis points higher at 3.924% after the robust job report. Nonfarm payrolls grew by 254,000 in September, significantly the Dow Jones consensus estimate of 150,000. The unemployment rate ticked down to 4.1% despite expectations for it to hold steady at 4.2%. Moreover, when compared to the previous month's data, the current Nonfarm Payrolls also show a substantial increase. The previous month recorded a figure of 159K, which means that the recent data indicates a growth of 95K. This significant month-on-month growth underscores the resilience of the U.S. job market, despite global economic uncertainties. Since the Fed cut rates on Sept. 18, the 10-year Treasury yield has actually jumped. The rate was around 3.6% the day before the Fed cut and now was approaching 4% with Friday's increase.

### Bond Market Ahead:

The market will open with a positive and negative news and will see the 10-year benchmark 7.10% GS 2034 will be settling around 6.88%. The government announced the buyback of 2025 securities to the tune of Rs.25,000 crore which will be a positive in the midst of the robust job report at the U.S. and the Treasury yields surged across the curve by 11-15 bps. Nonfarm Payrolls are a critical measure of economic health as job creation is the primary driver of consumer spending, which in turn, accounts for the majority of economic activity. Therefore, these higher than expected figures should be taken as a positive sign for the USD. This strong employment data is likely to bolster the USD, as higher employment typically leads to increases consumer spending, thereby stimulating economic growth. The Fed may go with smaller rate cuts rather giving a jumbo rate cut of 50bps in November. The market focus will also shift to the RBI MPC meet which is scheduled to be tabled on October 9, 2024 and the three new external members are entering the MPC for a four year term when many of the advanced nations are convincingly into a monetary easing cycle to beat a potential recession when the three internal members of the RBI are showing no signs of changing their tough stance. The RBI may stick with the STATUS QUO on October 9, 2024 as the on-going geo-political tension at Middle East may spoil the lower inflation regime as the crude oil prices have surged significantly from a low of \$70/barrel to \$80/barrel. Any change in the stance from withdrawal of accommodation to neutral will be a positive for the market.

### Bond Strategy:

- Buy 7.10% GS 2034 around 6.90 to 6.89 with a target of 6.85% and a stop loss of 6.94%.
- Buy 7.34% GS 2064 around 7.03 to 7.04 with a target of 6.98% and a stop loss of 7.08%.

(Source: Bloomberg, GEPL Capital Research)

### Economic Calendar

DATA	DATE
India's Monetary Policy	07 to 09 Oct-2024
RBA Meeting Minutes	07-Oct-2024
German IIP Data	08-Oct-2024
New Zealand Interest Rate Decision	08-Oct-2024
Brazil CPI Data	09-Oct-2024
FOMC Meeting Minutes	09-Oct-2024
Italian IIP Data	10-Oct-2024
ECB Monetary Policy Meeting	10-Oct-2024
US Jobless claims	10-Oct-2024
Fed Balance Sheet	10-Oct-2024
US CPI Data	10-Oct-2024
South Korean Interest Rate Decision	10-Oct-2024
GBP GDP & IIP Data	11-Oct-2024
German CPI Data	11-Oct-2024
India's IIP & CPI Data	11-Oct-2024
Russia CPI Data	11-Oct-2024

(Source: Bloomberg)



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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