



Debt Market Watch

Weekly Newsletter

14th October, 2024

Economic Indicator

Particulars	11-10-2024	04-10-2024	Change
5 Year Indian Govt. Bond (%)	6.7	6.74	-0.04
10 Year Indian Govt. Bond(%) (7.18% GS 2033)	6.79	6.83	-0.04
15 Year Indian Govt. Bond(%)	6.83	6.88	-0.05
Call Money Market (%)	5.85	6.45	-0.6
Brent Crude Oil (in Dollar/barrel)	79.04	78.14	0.9
US 10 Year Treasury (%)	4.07	3.97	0.1
UK 10 Year Treasury (%)	4.21	4.13	0.08
Rupee Vs Dollar	84.14	84.03	0.11
FOREX Reserves with RBI (in Dollar/bn)	701.18	704.89	-3.71

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	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 (7.10% GS 2034) likely to move in the range of 6.73% to 6.78%.

(GEPL Capital Research)

Interest Rate Futures

IRF OPEN INTEREST (w.o.w)				
Security	Contract	11-Oct-24	04-Oct-24	Change
7.10% GOI 2034	31-Oct-2024	54445	55099	-654

IRF PRICE (w.o.w)				
Security	Contract	11-Oct-24	04-Oct-24	Change
7.10% GOI 2034	31-Oct-2024	102.15	101.85	0.30

(GEPL Capital Research)

Auction Scheduled For The Week

Date	Instrument	Expected Security	Nature of Flow	Amount (Cr)
15-Oct-24	SDL	8 States	Auction	13050
16-Oct-24	G-Sec	91 DTB	Auction	7000
16-Oct-24	G-Sec	182 DTB	Auction	6000
16-Oct-24	G-Sec	364 DTB	Auction	6000
17-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
18-Oct-24	G-Sec	7.02% GS 2031	Auction	10000
18-Oct-24	G-Sec	7.23% GS 2039	Auction	13000
18-Oct-24	G-Sec	7.09% GS 2054	Auction	10000

(Source: www.rbi.org.in)

Government Security Market Update :

Indian bond market is facing a peculiar issue, investors can't get enough of sovereign bond as the government buy back debts and cuts borrowings, resulting in a supply shortage. The administration repurchased nearly 245 billion rupees (\$2.9 billion) of notes on Thursday. That follows last month's reduction in its Treasury bill issuance by 400 billion rupees. The Reserve Bank of India also halted secondary market sales of bonds last week for the first time since July. The supply crunch comes just as Indian bonds have emerged as top performers among major Asian nations, driven by their recent inclusion in global debt indexes. With the RBI's pivot to a neutral monetary policy stance setting the stage for potential rate cuts, demand is expected to rise further. Earlier during the week the eleven states sold 5-25 years loan in the range of 7.05-7.15 percent and in the Treasury bill auction the Reserve Bank of India sold 91; 182 & 364 DTB at a yield of 6.43; 6.5424 & 6.5283% respectively. In a weekly auction the government sold 7.04% GS 2029 & 7.34% GS 2064 at a yield of 6.6961 & 6.9830% respectively. The yield on the 7.10% Government bond due April 2034 fell to 6.7914% from 6.8339% last week.

Global Debt Market Update:

The yield on the 10-year Treasury note edged up Thursday as investors studied fresh inflation data. The 10-year Treasury yield rose a basis point to 4.077% after topping 4.11% earlier in the session. The 2-year Treasury dipped 5 basis points to 3.966%. The consumer price index increased 0.2% in September and 2.4% year-over-year, above economists' estimates of a 0.1% increase on a monthly basis. Jobless claims also made an unexpected advance. Initial filings for unemployment benefits rose to 258,000 for the week ending Oct. 5, the highest since August 2023. Yields had risen Wednesday as minutes from the Federal Reserve's policy meeting in September, when the central bank lowered benchmark borrowing costs to a range of 4.75% to 5.0%, pointed to some division over the size of the rate cut. The improving inflation picture follows a mostly healthy jobs report released last week, which showed that hiring accelerated in September and that the unemployment rate dropped from 4.2% to 4.1%. The government has also reported that the economy expanded at a solid 3% annual rate in the April-June.

Bond Market Ahead:

The "Neutral Stance" from the RBI MPC from accommodative stance has fuelled the demand for the bonds and the market start pricing 25-75 bps rate cut from the RBI MPC in the following monetary policies. India slashed its borrowings for the fiscal year ending in March 2025 this year, in a bid to narrow its fiscal deficit. Short-term borrowing rates for India have been trending lower, as the government slows borrowing through Treasury bills and from the last week the government started buyback of the debts and in the first auction accepted bids almost to the tune of Rs.25,000 crore and announced another buyback for this week. Demand for Indian government bonds will rise, maintaining lower yields, following FTSE Russell's decision to include them in its index from September 2025. This follows earlier inclusions by JPMorgan and Bloomberg. Bonds with 5 to 10-year maturities will benefit the most. Foreign investment is expected to increase, diversifying ownership and keeping borrowing costs stable. Five to 10-year government bonds will continue to attract strong interest from foreign investors, driven by solid macroeconomic fundamentals and manageable fiscal risks and expect 5 & 10-year benchmark to trade in the range of 6.55 to 6.65 & 6.65 to 6.75% respectively.

Bond Strategy:

- Buy 7.10% GS 2034 around 6.77 to 6.78 with a target of 6.73% and a stop loss of 6.82%.
- Buy 7.09% GS 2054 around 6.94 to 6.95 with a target of 6.89% and a stop loss of 6.99%.

(Source: Bloomberg, GEPL Capital Research)

Economic Calendar

DATA	DATE
India's CPI & WPI Data	14 Oct-2024
OPEC Monthly Report	14-Oct-2024
Japan's IIP Data	15-Oct-2024
German's WPI Data	15-Oct-2024
French CPI Data	15-Oct-2024
Spanish CPI Data	15-Oct-2024
Canada's CPI Data	15-Oct-2024
New Zealand's CPI Data	15-Oct-2024
GBP CPI Data	16-Oct-2024
Italian CPI Data	16-Oct-2024
ECB Interest Rate Decision	17-Oct-2024
US Jobless claims	17-Oct-2024
US IIP Data	17-Oct-2024
Fed Balance Sheet	17-Oct-2024
Japan's CPI Data	17-Oct-2024
China's GDP & IIP Data	17-Oct-2024
South African CPI Data	18-Oct-2024

(Source: Bloomberg)

Invest Now →



14th October, 2024

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