



# Debt Market Watch

## Weekly Newsletter

16th September, 2024

### Economic Indicator

Particulars	13-09-2024	06-09-2024	Change
5 Year Indian Govt. Bond (%)	6.71	6.75	-0.04
10 Year Indian Govt. Bond(%) (7.18% GS 2033)	6.79	6.85	-0.06
15 Year Indian Govt. Bond(%)	6.85	6.91	-0.06
Call Money Market (%)	6.5	6.25	0.25
Brent Crude Oil (in Dollar/barrel )	71.61	71.06	0.55
US 10 Year Treasury (%)	3.65	3.71	-0.06
UK 10 Year Treasury (%)	3.77	3.89	-0.12
Rupee Vs Dollar	83.88	83.99	-0.11
FOREX Reserves with RBI (in Dollar/bn)	689.24	683.99	5.25

### 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 6.75% to 6.80%.  
(GEPL Capital Research)

### Interest Rate Futures

IRF OPEN INTEREST (w.o.w)				
Security	Contract	13-Aug-24	06-Sept-24	Change
7.10% GOI 2034	26-Sept-2024	22724	4250	18474

  

IRF PRICE (w.o.w)				
Security	Contract	13-Aug-24	06-Sept-24	Change
7.10% GOI 2034	26-Sept-2024	102.10	101.60	0.50

(GEPL Capital Research)

### Auction Scheduled For The Week

Date	Instrument	Expected Security	Nature of Flow	Amount (Cr)
17-Sept-24	SDL	8 States	Auction	13500
20-Sept-24	G-Sec	7.10% GS 2034	Auction	20000
20-Sept-24	G-Sec	7.34% GS 2064	Auction	11000

(Source: www.rbi.org.in)

### Government Security Market Update :

Indian government bond yields fell on Friday amid rising expectations of a significant rate cut by the US Federal Reserve (Fed) next week. Yield on the benchmark 10-year government bond settled at 6.79 per cent, lowest since March 30, 2022. On Thursday, it settled at 6.81 per cent. The benchmark yield fell to 6.78 per cent during the week; it gave up some gains by the end of the day as some traders wound up their positions ahead of the weekend. The longest tenure government bond, 50-year bond, yield fell below 7 per cent for the first time on strong demand from insurance companies and pension funds. The sentiment was also positive, given that the supply cut in treasury bills for September. During the year seven states sold 5-30 years loan in the range of 7.03 to 7.2496 percent and in the Treasury bill auction the Reserve Bank of India sold 91; 182 & 364 DTB at a yield of 6.6462; 6.7222 & 6.7037 percent respectively. In a weekly auction the government sold 7.02% GS 2031 & 7.46% GS 2073 at a yield of 6.7575 & 6.9771 percent respectively. The yield on the 7.10% Government bond due April 2034 fell to 6.7904% from 6.8542% last week.

### Global Debt Market Update:

U.S. Treasury yields slipped on Friday as investors set their sights on the Federal Reserve's upcoming policy meeting. The yield on the 10-year Treasury was down about 2 basis points at 3.661%. The 2-year Treasury yield was nearly 6 basis points lower at 3.589. Two key data points were released earlier this week: the consumer price index and producer price index. Both seemed to support the case for a rate cut as they suggested inflationary pressures are easing. Data published Wednesday showed that headline CPI increased 0.2% in August, as expected, while the core figure came in at 0.3% on a monthly level, just above the 0.2% forecast. On Thursday, the PPI for August showed that wholesale prices rose 0.2% in the month, also in line with expectations. Also on Thursday, weekly initial jobless claims came in higher than expected at 230,000, more than the 225,000 Dow Jones estimate. Traders were last pricing in a 59% chance of a 25-basis-point rate cut and a 41% probability of a 50-basis-point reduction. The Fed's meeting is set to begin Tuesday and conclude Wednesday with the interest rate decision and a post meeting press conference.

### Bond Market Ahead:

Rate futures rallied in reaction to media reports that suggested the Federal Reserve decision on Wednesday would be a close call between a 25 or 50 basis points rate cut. The probability of a 50 bps move tripled from a day earlier to 45% and all the eyes are on the U.S. Fed when they will present their monetary policy decision on September 18. Bond market sentiment was also upbeat after the Reserve Bank of India cancelled Treasury bill auctions due in September, which will further boost banking system liquidity, leading to a drop in short-term rates. As global crude oil prices hover around a three-year low of \$70 a barrel, there could be some respite for the Indian economy, but only if prices remain low for a sustained period than this could provide some respite for India's oil import bill as well as easing of inflationary pressures. The average price of the Indian crude basket has also been trending downwards and has averaged \$73.54 in September as against \$89.44 in April this year, which is significantly lower than the Reserve Bank of India's projection of average crude oil price at \$85 per barrel this fiscal. Lower oil will not only provide room to the RBI to ease rates on lower inflation but also help in containing the import bill which will be very positive to the bond market and Indian economy to expand.

### Bond Strategy:

- Buy 7.10% GS 2034 around 6.80% to 6.79% with a target of 6.75% and a stop loss of 6.82%.
- Buy 7.34% GS 2064 around 6.97% to 6.98% with a target of 6.92% and a stop loss of 7.02%.

(Source: Bloomberg, GEPL Capital Research)

### Economic Calendar

DATA	DATE
Italian CPI Data	16-Sept-2024
Russia GDP Data	16-Sept-2024
India' WPI Data	17-Sept-2024
Canada CPI Data	17-Sept-2024
US IIP Data	17-Sept-2024
GBP CPI Data	18-Sept-2024
South African CPI Data	18-Sept-2024
Fed Interest Rate Decision	18-Sept-2024
Brazil Interest Rate Decision	18-Sept-2024
US Fed Balance Sheet	18-Sept-2024
New Zealand Interest Rate Decision	18-Sept-2024
US Jobless claims	19-Sept-2024
South African Interest Rate Decision	19-Sept-2024
Japan CPI Data	19-Sept-2024
BoJ Interest Rate Decision	19-Sept-2024
BoE Interest Rate Decision	19-Sept-2024
Hong Kong CPI Data	20-Sept-2024

(Source: Bloomberg)

Invest Now



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