



Debt Market Watch

Weekly Newsletter

18th November, 2024

Economic Indicator

Particulars	14-11-2024	08-11-2024	Change
5 Year Indian Govt. Bond (%)	6.81	6.75	0.06
10 Year Indian Govt. Bond(%) (6.79% GS 2034)	6.83	6.78	0.05
15 Year Indian Govt. Bond(%)	6.92	6.86	0.06
Call Money Market (%)	6.25	6.55	-0.3
Brent Crude Oil (in Dollar/barrel)	71.04	73.87	-2.83
US 10 Year Treasury (%)	4.43	4.31	0.12
UK 10 Year Treasury (%)	4.47	4.44	0.03
Rupee Vs Dollar	84.48	84.38	0.1
FOREX Reserves with RBI (in Dollar/bn)	675.65	682.87	-7.22

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	October 2024 (released on 12-Nov-2024)	Sept 2024 (released on 14-Oct-2024)	Change
CPI DATA (%) (Monthly)	6.21	5.49	0.72

DATA	Sept 2024 (released on 12-Nov-2024)	August 2024 (released on 12-Oct-2024)	Change
IIP DATA (Monthly)	3.1	-0.1	3.00



Yield Outlook for the week

The Indian 10 year Benchmark (6.79% GS 2034) likely to move in the range of 6.77% to 6.82%.

(GEPL Capital Research)

Interest Rate Futures

IRF OPEN INTEREST (w.o.w)				
Security	Contract	14-Nov-24	08-Nov-24	Change
7.10% GOI 2034	28-Nov-2024	49,772	48,766	1006

IRF PRICE (w.o.w)				
Security	Contract	14-Nov-24	08-Nov-24	Change
7.10% GOI 2034	28-Nov-2024	101.60	101.93	-0.33

(GEPL Capital Research)

Auction Scheduled For The Week

Date	Instrument	Expected Security	Nature of Flow	Amount (Cr)
18-Nov-24	G-Sec	7.27% GS 2026 to 7.40% GS 2035; 6.99% GS 2026 to 6.22% GS 2035; 6.99% GS 2026 to 8.32% GS 2032; 8.33% GS 2026 to 7.40% GS 2035; 5.74% GS 2026 to 6.62% GS 2051; 8.24% GS 2027 to 6.95% GS 2061; 6.79% GS 2027 to 7.73% GS 2034; 6.79% GS 2027 to 7.40% GS 2035; 8.28% GS 2027 to 7.40% GS 2035; 7.17% GS 2028 to 6.57% GS 2033;	Conversion	20,000
19-Nov-24	SDL	6 States	Auction	9,349
21-Nov-24	G-Sec	91 DTB	Auction	7,000
21-Nov-24	G-Sec	182 DTB	Auction	6,000
21-Nov-24	G-Sec	364 DTB	Auction	6,000
22-Nov-24	G-Sec	6.79% GS 2034	Auction	22,000
22-Nov-24	G-Sec	7.46% GS 2073	Auction	10,000

(Source: www.rbi.org.in)

Government Security Market Update :

Hardening of the U.S. Treasuries; higher retail inflation numbers and weak rupee had put the pressure on the Indian bonds and the market saw the net outflow from the FPIs in November. Foreigners have sold 82.1 billion rupees (\$973 million) of Indian government bonds, which are part of the JPMorgan index, so far in November, according to clearing house data on Thursday. For the first 10 months of 2024, foreigners bought 1.18 trillion rupees of bonds, driven by India's inclusion in the JPMorgan index on June 28. Indian 10-year benchmark has moved above 6.80% after the auction result on Friday and shown weakness. India's retail inflation unexpectedly surged to 6.2% in October up from 5.49% in September due to higher food and vegetable prices. Earlier during the week the five states sold 7-15 years loan in the range of 7.05 to 7.13% and in the Treasury bill auction the Reserve Bank of India sold 91; 182 & 364 DTB at a yield of 6.4395; 6.6188 & 6.6145% respectively. In a weekly sales the government sold 7.04% GS 2029; New GS 2039 & 7.09% GS 2054 at a yield of 6.8026; 6.92 & 7.0339% respectively.

The yield on the 6.79% Government bond due October 2034 rose to 6.8294% from 6.7762% last week.

Global Debt Market Update:

The yield on the U.S. 10-year Treasury note was higher by about two basis points at 4.439%. The 2-year Treasury note yield last traded at about 4.307%, a rise of roughly 1 basis point. Last week, the yields on the 10-year and 2-year ended at 4.31% and roughly 4.25%, respectively as the Federal Reserve Chair Jerome Powell suggesting the central bank may not be as aggressive on its rate-cutting campaign going forward. Fed Chair Powell spoke in Dallas on Thursday, noting that strong U.S. economic growth means the central bank won't need to rush to cut interest rates. Fed funds futures trading now implies a roughly 62% probability that the Fed will lower interest rates by a quarter point at its December meeting, according to the CME FedWatch Tool. On Wednesday, October's consumer price index showed that the inflation rate grew 0.2% for the month, bringing the 12-month rate to 2.6%. But excluding food and energy, core CPI accelerated to 3.3% annually, still far from the Fed's 2% target. Meanwhile, weekly jobless claims for the week ending Nov. 9 dropped by 4,000 from the previous week to 217,000, signalling a robust economy.

Bond Market Ahead:

The debate rages over whether the Reserve Bank of India should tweak its monetary policy approach by targeting inflation that excludes food, data shows the latest spike in retail inflation is predominantly driven by elevated prices of vegetables, which has almost entirely done with supply constraints. The food inflation spiked to a 15-month high of 10.9% on year in October, TOP (tomato, onion, and potato) prices spiraled the most as tomato prices zoomed by 161%; potato by 65% and onion by 52%. Expectations for rate cuts in the upcoming December and February monetary policies were high, especially after the US Federal Reserve cut rates by totalled 75 basis points in the last two meets. Many economists including top bankers were expecting a rate cut in December. However, now there are two views. A few analysts believe that the rate cut will happen only in April while a few are still hopeful for February next year. Compounding the matters, there is a talk of slowdown after most companies missed earnings projections, which has led to the stock market turning wobbly. The bigger challenge is private capital expenditure will also move slowly. There was high hope that large companies would borrow heavily once the rates were relaxed. Remember, despite strong macroeconomic conditions and a positive environment, large companies are not expanding. The current loan requirements are limited to working capital and not for any project expansions, so the growth of India corporates will remain capped.

Bond Strategy:

- Buy 6.79% GS 2034 around 6.82 to 6.83 with a target of 6.77% and a stop loss of 6.85%.
- Buy 7.34% GS 2064 around 7.04 to 7.05 with a target of 7.00% and a stop loss of 7.08%.
- Buy 7.09% GS 2054 around 7.04 to 7.05 with a target of 7.00% and a stop loss of 7.08%.

(Source: Bloomberg, GEPL Capital Research)

Economic Calendar

DATA	DATE
Thailand GDP Data	18 - Nov-2024
Switzerland IIP Data	18 - Nov-2024
RBA Meeting Minutes	19 - Nov-2024
Canada CPI Data	19 - Nov-2024
GBP CPI Data	20 - Nov-2024
South African CPI Data	20 - Nov-2024
Hong Kong CPI Data	21 - Nov-2024
South African Interest Rate Decision	21 - Nov-2024
US Jobless claims	21 - Nov-2024
Fed Balance Sheet	22 - Nov-2024
Japan CPI Data	22 - Nov-2024
Malaysian CPI Data	22 - Nov-2024
German GDP Data	22 - Nov-2024

(Source: Bloomberg)

Invest Now →



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