



# Debt Market Watch

## Weekly Newsletter

21st October, 2024

### Economic Indicator

Particulars	18-10-2024	11-10-2024	Change
5 Year Indian Govt. Bond (%)	6.73	6.7	0.03
10 Year Indian Govt. Bond(%) (7.18% GS 2033)	6.82	6.79	0.03
15 Year Indian Govt. Bond(%)	6.87	6.83	0.04
Call Money Market (%)	6.5	5.85	0.65
Brent Crude Oil (in Dollar/barrel)	73.17	79.04	-5.87
US 10 Year Treasury (%)	4.08	4.07	0.01
UK 10 Year Treasury (%)	4.06	4.21	-0.15
Rupee Vs Dollar	84.07	84.14	-0.07
FOREX Reserves with RBI (in Dollar/bn)	690.43	701.18	-10.75

### 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 (%)	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 (7.10% 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	18-Oct-24	11-Oct-24	Change
7.10% GOI 2034	31-Oct-2024	50,233	54,445	-4,212

  

IRF PRICE (w.o.w)				
Security	Contract	18-Oct-24	11-Oct-24	Change
7.10% GOI 2034	31-Oct-2024	102.30	102.15	0.15

(GEPL Capital Research)

### Auction Scheduled For The Week

Date	Instrument	Expected Security	Nature of Flow	Amount (Cr)
21-Oct-24	G-Sec	7.27% GS 2026 to 7.40% GS 2035; 5.63% GS 2026 to 7.50% GS 2034; 8.33% GS 2026 to 7.40% GS 2035; 6.97% GS 2026 to 7.40% GS 2035; 5.74% GS 2026 to 7.73% GS 2034; 8.24% GS 2027 to 6.95% GS 2061; 7.38% GS 2027 to 6.57% GS 2033; 7.38% GS 2027 to 6.19% GS 2034; 8.28% GS 2027 to 7.40% GS 2035	Conversion	30000
22-Oct-24	SDL	5 States	Auction	8100
23-Oct-24	G-Sec	91 DTB	Auction	7000
23-Oct-24	G-Sec	182 DTB	Auction	6000
23-Oct-24	G-Sec	364 DTB	Auction	6000
25-Oct-24	G-Sec	6.79% GS 2034	Auction	22000
25-Oct-24	G-Sec	7.46% GS 2073	Auction	10000

(Source: www.rbi.org.in)

### Government Security Market Update :

Indian bonds were under pressure after the strong US retail sales data as the US Treasury yields moved higher and an expectations for November rate cut now is for 25 bps in place of 50 bps earlier. On the positive side, the successful debt buyback from the government will aid, as it has extinguished debt worth around 494 billion rupees in the last two weeks. The benchmark Brent crude continued to remain below \$75 per barrel, which could aid sentiment as India is one of the largest oil importers and easing prices of crude could reduce inflationary pressures. The retail inflation accelerated to a nine-month high of 5.49 per cent in September due to higher food prices, up from 3.65 per cent in August, and the jump prompted several economists to push back interest rate cut bets to the first half of 2025 from December. Earlier in a week the eleven states sold 3-21 years loan in the range of 6.82 to 7.11% and in the Treasury bill auction the Reserve Bank of India sold 91; 182 & 364 DTB at a yield of 6.4515; 6.5493 & 6.5438% respectively. In a weekly auction the New Delhi sold three central government securities worth Rs.33,000 crore and set the cut-off of 7.02% GS 2031; 7.23% GS 2039 & 7.09% GS 2054 at a yield of 6.7662; 6.8590 & 6.9806% respectively.

The yield on the 7.10% Government bond due April 2034 rose to 6.8193% from 6.7914% last week.

### Global Debt Market Update:

The 10-year US Treasury yield rose on Thursday after data pointed that the world's largest economy was on a solid footing, further easing market expectations about an aggressive rate cutting cycle by the Federal Reserve. Data showed US retail sales rose 0.4 per cent last month, above the 0.3 per cent estimate of economists polled by Reuters, and after an unrevised 0.1 per cent gain in August. U.S. Treasury yields fell Friday as investors weighed the latest economic data and its potential effect on U.S. monetary policy. The 10-year Treasury yield fell 2 basis points to 4.079%. The yield on the 2-year Treasury ticked lower by more than 3 basis points to 3.953%. On Friday, however, new housing data painted a more downbeat picture. Housing starts and building permits both fell in September. Private-owned authorizations for permits totalled 1.428 million, 2.9% below the previous month's total. Starts decreased 0.5% to 1.354 million. Elsewhere, the European Central Bank delivered its third interest rate cut of the year on Thursday, reducing the deposit rate by a further 25 basis points to 3.25% as inflation risks ease in the European Union. Interest rate futures are indicating a rate cut of 25 basis points by the Fed in November, with a 90 per cent probability, while expecting 43 bps of cuts in 2024.

### Bond Market Ahead:

Oil futures fell on Friday, declining more than 7% on the week after data showed China's economic growth slowed. Brent crude futures fell \$1.39 to \$73.06 a barrel and settled more than 7% lower than the last week. China's refinery output declined for the sixth straight month as thin refining margins and week fuel consumption curbed processing. The lower crude oil prices will benefit India and will provide room to the RBI to ease repo rates in the near term. Recent strong data at US again push back the traders to scale down the expectations of aggressive rate cut from the Fed after a surprising announcement of a massive rate cut but that does not stop other market forces from bringing in a full scale recession, with the US Presidential Election being the biggest potential catalyst. According to the strategist, America's concept of the job market growth is currently not on the right track as it has been recently that some of the labour market opportunities that were planned during the COVID period, were finally delivered this year, which may have caused an uptick in the job market data. The Treasury yields at US has already topped and likely to ease from 4.12% to below 4% in the near term and gradually moving towards 3.80% before the Fed meet in November. Indian bonds will be benefited with the on-going buyback of the securities from the government and in the last two auction they have accepted almost Rs.49,000 crore and likely to conduct another two more tranches of Rs.25, 000 crore in the coming weeks.

### Bond Strategy:

- Buy 7.10% GS 2034 around 6.81 to 6.82 with a target of 6.77% and a stop loss of 6.85%.
- Buy 7.23% GS 2039 around 6.87 to 6.88 with a target of 6.82% and a stop loss of 6.92%
- Buy 7.09% GS 2054 around 6.98 to 6.99 with a target of 6.94% and a stop loss of 7.02%.

(Source: Bloomberg, GEPL Capital Research)

### Economic Calendar

DATA	DATE
BoJ CPI Data	22 Oct-2024
Hong Kong CPI Data	22-Oct-2024
Singapore CPI Data	23-Oct-2024
South African CPI Data	23-Oct-2024
RBI MPC Meeting Minutes	23-Oct-2024
BoC Monetary Policy	23-Oct-2024
Russia IIP Data	23-Oct-2024
South Korean GDP Data	23-Oct-2024
Brazil CPI Data	24-Oct-2024
US Jobless claims	24-Oct-2024
US Fed Balance Sheet	24-Oct-2024
Japan CPI Data	24-Oct-2024
Singapore IIP Data	25-Oct-2024
Russia Interest Rate Decision	25-Oct-2024

(Source: Bloomberg)



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