



Debt Market Watch

Weekly Newsletter

23rd September, 2024

Economic Indicator

Particulars	20-09-2024	13-09-2024	Change
5 Year Indian Govt. Bond (%)	6.69	6.71	-0.02
10 Year Indian Govt. Bond(%) (7.18% GS 2033)	6.76	6.79	-0.03
15 Year Indian Govt. Bond(%)	6.82	6.85	-0.03
Call Money Market (%)	6.75	6.5	0.25
Brent Crude Oil (in Dollar/barrel)	73.69	71.61	2.08
US 10 Year Treasury (%)	3.73	3.65	0.08
UK 10 Year Treasury (%)	3.9	3.77	0.13
Rupee Vs Dollar	83.48	83.88	-0.4
FOREX Reserves with RBI (in Dollar/bn)	689.46	689.24	0.22

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	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 6.74% to 6.78%.
(GEPL Capital Research)

Interest Rate Futures

IRF OPEN INTEREST (w.o.w)				
Security	Contract	20-Aug-24	13-Aug-24	Change
7.10% GOI 2034	26-Sept-2024	26300	22724	4250

IRF PRICE (w.o.w)				
Security	Contract	20-Aug-24	13-Aug-24	Change
7.10% GOI 2034	26-Sept-2024	102.34	102.10	0.23

(GEPL Capital Research)

Auction Scheduled For The Week

Date	Instrument	Expected Security	Nature of Flow	Amount (Cr)
23-Sept-24	G-Sec	5.22% GS 2025 to 7.40% GS 2035; 8.20% GS 2025 to 7.40% GS 2035; 7.59% GS 2026 to 8.32% GS 2032; 8.15% GS 2026 to 6.67% GS 2035; 8.24% GS 2027 to 6.95% GS 2061; 7.38% GS 2027 to 6.67% GS 2035; 8.26% GS 2027 to 7.40% GS 2035; 8.28% GS 2027 to 7.40% GS 2035.	Conversion	30000
24-Sept-24	SDL	8 States	Auction	13500
27-Sept-24	G-Sec	7.04% GS 2029	Auction	120000
27-Sept-24	G-Sec	7.23 GS 2039	Auction	12000
27-Sept-24	G-Sec	7.09 GS 2054	Auction	12000

(Source: www.rbi.org.in)

Government Security Market Update :

Indian bond yields dropped in the afternoon of September 19 following the US Federal Reserve's interest rate cut. The 10-year benchmark yield dropped to 6.74% after the opening of 6.78%. The Federal Open Market Committee decided by a vote of 11 to 1 to lower the federal funds rate to a range of 4.75 percent to 5 percent, after maintaining it at its highest level in two decades for over a year. The trend turned positive earlier before the Fed outcome as the government decided not to conduct the Treasury bills auction in the September as the government having a better cash position. Earlier during the week the eight states sold 5 -23 years loan in the range of 7 to 7.14% and in the weekly scheduled auction the Reserve Bank of India sold 7.10% GS 2034 & 7.34% GS 2064 at a yield of 6.7540 & 6.9577% respectively. The yield on the 7.10% Government bond due April 2034 fell to 6.7626% from 6.7904% last week.

Global Debt Market Update:

The Federal Reserve on Wednesday delivered a 50 basis point interest rate reduction, bringing the federal funds rate to 4.75% to 5.00%. The size of the cut was in line with market expectations, which had shifted from expecting a 25 basis point cut to a bigger 50 basis point cut in recent days. It is the first rate cut from the Fed since it began hiking in March 2022, marking a shift in its monetary policy approach since then. Weekly jobless claims fell by 12,000 to 219,000, which was far below estimates, according to labor market data released Thursday. The better-than-expected figure helped reassure investors the economy is headed toward a soft landing. The central bank's Federal Open Market Committee also indicated through its "dot plot" that it is anticipating another 50 basis point worth of cuts by the end of 2024. It also suggested another full percentage point in cuts by the end of 2025, and a half point in 2026. Elsewhere, the Bank of England announced on Thursday it would hold interest rates steady after cutting rates for the first time in more than four years in August. By the end of the week the 10 year Treasury yield inched higher towards 3.74% after testing a 52 week low of 3.58%.

Bond Market Ahead:

US Fed send strong message to the bond market by slashing rates by 50 bps, that the US economy is not in good shape and shown convictions that the inflation is moving towards their target of 2%. Analysts suggest that the US Fed's 50 basis point rate cut could spark a global rally in debt markets, enhancing liquidity and reducing borrowing costs for businesses and consumers. Additionally, the rate cut might weaken the US dollar and boost foreign demand for US bonds. Indian bond market analysts don't anticipate the Reserve Bank of India (RBI) to make an immediate move in response. However, they also noted that a sudden change in stance cannot be entirely dismissed. The traders will closely watch the movement at the US Treasury market and more likely the 10-year yield will drift towards 6.67% and RBI MPC may change the stance when they will deliver the policy decision on October 9, 2014. The Fed's Summary of Economic Projections showed that the median respondent among Federal Reserve Board members and Federal Reserve Bank presidents now sees the "longer-run" federal funds rate landing at around 2.9%, up from about 2.8% in its previous quarterly update. That's the rate that policymakers think will prevail in a balanced economy with a strong labour market and low and stable inflation.

Bond Strategy:

- Buy 7.10 GS 2024 around 6.78 with a target of 6.74% and a stop loss of 6.82%.
- Buy 7.23 GS 2039 around 6.83 with a target of 6.79% and a stop loss of 6.87%.

(Source: Bloomberg, GEPL Capital Research)

Economic Calendar

DATA	DATE
Singapore CPI Data	23-Sept-2024
RBA Interest Rate Decision	24-Sept-2024
BoJ CPI Data	25-Sept-2024
Singapore CPI Data	25-Sept-2024
Brazil CPI Data	25-Sept-2024
Russia IIP Data	25-Sept-2024
Japan Monetary Policy Meeting Minutes	25-Sept-2024
Singapore IIP Data	26-Sept-2024
Switzerland Interest Rate Decision	26-Sept-2024
US GDP Data	26-Sept-2024
US Jobless claims	26-Sept-2024
Japan CPI Data	26-Sept-2024
French CPI Data	27-Sept-2024
Spanish CPI & GDP Data	27-Sept-2024
Canada GDP Data	27-Sept-2024

(Source: Bloomberg)





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