



# Debt Market Watch

## Weekly Newsletter

30th September, 2024

### Economic Indicator

Particulars	27-09-2024	20-09-2024	Change
5 Year Indian Govt. Bond (%)	6.68	6.69	-0.01
10 Year Indian Govt. Bond(%) (7.18% GS 2033)	6.76	6.76	-
15 Year Indian Govt. Bond(%)	6.81	6.82	-0.01
Call Money Market (%)	6.5	6.75	-0.25
Brent Crude Oil (in Dollar/barrel )	71.54	73.69	-2.15
US 10 Year Treasury (%)	3.75	3.73	0.02
UK 10 Year Treasury (%)	3.98	3.9	0.08
Rupee Vs Dollar	83.72	83.48	0.24
FOREX Reserves with RBI (in Dollar/bn)	692.3	689.46	2.84

### 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 6.73% to 6.78%.  
(GEPL Capital Research)

### Interest Rate Futures

IRF OPEN INTEREST (w.o.w)				
Security	Contract	27-Sept-24	20-Aug-24	Change
7.10% GOI 2034	31-Oct-2024	49914	26300	23614

  

IRF PRICE (w.o.w)				
Security	Contract	27-Sept-24	20-Aug-24	Change
7.10% GOI 2034	31-Oct-2024	102.35	102.34	0.01

(GEPL Capital Research)

### Auction Scheduled For The Week

Date	Instrument	Expected Security	Nature of Flow	Amount (Cr)
01-Oct-24	SDL	12 States	Auction	19942
03-Oct-24	G-Sec	91 DTB	Auction	7000
03-Oct-24	G-Sec	182 DTB	Auction	6000
03-Oct-24	G-Sec	364 DTB	Auction	6000
05-Oct-24	G-Sec	7.02% GS 2027	Auction	7000
05-Oct-24	G-Sec	7.10% GS 2034	Auction	22000
05-Oct-24	G-Sec	7.46% GS 2073	Auction	10000

(Source: www.rbi.org.in)

### Government Security Market Update :

Indian government bond yields dropped on Wednesday, driven by hopes of another significant interest rate cut from the Federal Reserve and the benchmark 10-year tested 52 week low of 6.7053%. The likelihood of the Fed trimming rates by another 50 basis points at its November meeting has soared to 60%. The government announced its borrowing plan for H2 FY25 to gross 6.61 trillion rupees from October to March 2025 which was unchanged and was as per the budgeted. The market was expecting reduction in the borrowing plan on account of better financial position and on Friday, after the auction result the 10-year benchmark yield moved higher towards 6.77%. In a Friday sale, the government sold 7.04% GS 2029; 7.23% GS 2039 & 7.09% GS 2054 at a yield of 6.6530; 6.7848 & 6.9076% respectively. Earlier during the week the 12 states sold 4-30 years loan in the range of 6.95 to 7.15%. The yield on the 7.10% Government bond due April 2034 fell to 6.7609% from 6.7626% last week.

### Global Debt Market Update:

The yield on the US 10-year Treasury was down about 3.5 basis points at 3.756% and the 2-year Treasury yield slipped to 3.567% after falling by 5.6 points. U.S. Treasury yields dipped on Friday after the release of key inflation data that showed the rate of price increases is close to the Federal Reserve's target. The PCE price index rose 0.1% month over month in August, and it grew 2.2% over the past 12 months. Economists surveyed by Dow Jones were expecting readings of 0.1% and 2.3%, respectively. The reports showed that the PCE price index rose 0.1% month over month in August and is up 2.2% over the past year. Economists surveyed by Dow Jones were expecting readings of 0.1% and 2.3%, respectively. The core PCE price index, which excludes food and energy costs, rose 0.1% month over month and 2.7% for the year, matching expectations. Data published Thursday calmed questions about whether there could be an economic downturn ahead and indicated to some investors that the Fed's reasoning for cutting rates was not in fact a weakening economy. The final reading of the second-quarter gross domestic product was unrevised, remaining at 3%, while weekly initial jobless claims pulled back by more than expected and durable goods orders for August were unchanged compared to the forecast decline.

### Bond Market Ahead:

The government out of gross market borrowing of Rs.14.01 lakh crore budgeted for 2024-25, Rs.6.61 lakh crore (47.2 per cent) is planned to be borrowed in H2 through the issuance of dated securities, including Rs.20,000 crore of the Sovereign Green Bonds (SGBs). The market borrowing is spread over 3, 5, 7, 10, 15, 30, 40 & 50-year securities and will be issuing 3, 5 & 7 years to the tune of Rs.1.55 trillion; 10-year bonds to the tune of Rs.1.54 trillion increasing the weekly size to Rs.22, 000 crore; 15 years bond to the tune of Rs.870 billion; 30 & 50 years bonds to the tune of Rs.700 billion & Rs.1.05 trillion respectively. Marginal reduction in the shorter end may ease the yields going forward but we may see some pressure on the 10; 30 & 50-years segments as the higher supply will be coming. The focus will now shift to the RBI MPC decision which is due on October 9 and the S&P Global ratings agency predicting two rate cuts by the Reserve Bank of India by the current financial year and one coming in the October policy. India along with Indonesia and Philippines are the only countries in the region where rates are higher than the US. India's repo rate has stayed at 6.5% since February last year. The RBI – MPC if not the rate cut in October than definitely there will be a guidance on the rates trajectory and they may change the stance to neutral.

### Bond Strategy:

- Buy 7.10% GS 2034 around 6.77 to 6.78 with a target of 6.73% and a stop loss of 6.80%.
- Buy 7.09% GS 2054 around 6.91 to 6.92 with a target of 6.87% and a stop loss of 6.95%.

(Source: Bloomberg, GEPL Capital Research)

### Economic Calendar

DATA	DATE
GBP GDP Data	30-Sept-2024
Italian CPI Data	30-Sept-2024
RBI Monetary and Credit Information Review	30-Sept-2024
German CPI Data	30-Sept-2024
Japan IIP Data	30-Sept-2024
South Korean CPI Data	01-Oct-2024
Brazil IIP Data	02-Oct-2024
Russian GDP Data	02-Oct-2024
Swiss CPI Data	03-Oct-2024
US Jobless claims	03-Oct-2024
Fed's Balance sheet	03-Oct-2024
French IIP Data	04-Oct-2024
Spanish IIP Data	04-Oct-2024

(Source: Bloomberg)

Invest Now



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