



# Debt Market Watch

8th Nov, 2021

One Stop Investment Avenue



## Government Security Market Update :

The market moved in the range of two to three basis points due to shorter working week on account of Diwali but long papers 15 to 40 years have seen some movement as Brent crude eased by two to three dollars per barrel. During the week the eleven states sold 9 to 21 years loans in the range of 6.96 to 7.08 percent. In a weekly Treasury bill auction, the Reserve Bank of India sold 91; 182 & 364 DTB at a yield of 3.6488; 3.8780 & 4.0899 percent respectively.

The yield on the 6.10% government bond due December 2031 fell to 6.3577% from last week level of 6.3880%

## Global Debt Market Update:

The yield on the benchmark 10-year Treasury note fell 6 basis points to 1.46%. The yield on the 30-year Treasury note dipped 7 basis points to 1.89%. The 2-year Treasury yield fell 1.6 basis points to 0.399%. For the week it fell 9.2 basis points, the largest decline since the week ending March 27, 2020. The Treasury yield dipped even after a key October jobs report came in stronger than expected. October nonfarm payroll numbers showed 531,000 jobs added, higher than the Dow Jones consensus estimate of 450,000. The unemployment rate nudged down 0.2 percentage points to 4.6%. The Federal Reserve earlier this week announced it will begin to taper its bond purchases. The Fed announced Wednesday that it will begin to pull back its \$120 billion monthly bond-buying programs "later this month." The central bank is set to reduce its bond purchases by \$15 billion per month, meaning its quantitative easing should end by the middle of 2022.

## Bond Market Ahead:

The U.S. bond market has rallied in the last working day and the 10-year benchmark Treasury yield dipped to 1.44% before it got close at 1.46%. In our last weekly report we expected U.S. 10-year Treasury to move towards 1.42% and simultaneously a move can be seen in the Indian market also. The beaten down segments like 5; 10 and 15 years counter will see a good move in this week and 10-year benchmark yield may dropped to 6.24 percent in the next couple of days from current 6.35 percent. Easing in the Brent crude; domestic oil prices and good GST collection will improve the sentiments and demand for the bonds. Secondly, the update on the listing of Indian Bonds on Global Index will also help in softening the yield. Market will also watch the monthly macro data like CPI; IIP and WPI numbers which is to be released on November 12 & 14, 2021.

## Bond Strategy:

- Buy 6.10 GOI 2031 around 6.34/35 with a target of 6.28 and a stop loss of 6.40 percent.
- Buy 6.67 GOI 2035 around 6.84/85 with a target of 6.78 and a stop loss of 6.88 percent.
- Buy 6.67 GOI 2050 around 7.06/07 with a target of around 7 percent and a stop loss of 7.10 percent.

(Source: Bloomberg, GEPL Capital Research)

## Economic Calendar

DATA	DATE
Malaysia IIP Data	9-Nov-2021
US IIP Data October	9-Nov-2021
Swedish IIP Data	9-Nov-2021
Malaysian IIP Data	9-Nov-2021
Philippines IIP & GDP Data	9-Nov-2021
German CPI Data	10-Nov-2021
US CPI Data	10-Nov-2021
Russia's GDP Data	10-Nov-2021
Thailand Interest Rate Decision	10-Nov-2021
Brazil CPI Data	10-Nov-2021
Italian IIP Data	10-Nov-2021
U.S CPI Data	10-Nov-2021
US Jobless Claims	10-Nov-2021
Japan IIP Data	11-Nov-2021
GBP GDP & IIP Data	11-Nov-2021
UK IIP Data	11-Nov-2021
UK GDP Data	11-Nov-2021
US OPEC Monthly Report	11-Nov-2021
India CPI & IIP Data	12-Nov-2021

(Source: Bloomberg)

## Economic Indicator

Particulars	3-11-2021	29-10-2021	Change
5 Year Indian Govt. Bond(%)	5.73	5.76	-0.03
10 Year Indian Govt. Bond(%)	6.36	6.39	-0.03
15 Year Indian Govt. Bond(%)	6.84	6.86	-0.02
Call Money Market (%)	3.25	3.25	0.00
Crude Oil (in Dollar/barrel )	80.54	83.66	-3.12
US 10 Year Treasury (%)	1.52	1.57	-0.05
UK 10 Year Treasury (%)	0.85	1.04	-0.19
Rs. vs Dollar	74.54	74.78	-0.24
FOREX Reserves with RBI (in Dollar/bn)	642.01	640.10	1.91

## Policy Rates

Repo Rate	4.00%
Reverse Repo Rate	3.35%
CRR	4.00%

— Adverse + Favour

(Source: Bloomberg/www.rbi.org.in)

DATA	Sept-2021 (released on 12-Oct-2021)	Aug-2021 (released on 12-Sept-2021)	Change
CPI DATA (%) ( Monthly)	4.35	5.3	-0.90
DATA	Aug-2021 (released on 12-Oct-2021)	July-2021 (released on 12-Sept-2021)	Change
IIP DATA (Monthly)	11.9	11.5	0.40



## Yield Outlook for the week

The 10 year Benchmark 6.10% GS 2031 likely to move in the range of 6.28% to 6.35% (GEPL Capital Research)

## Interest Rate Futures

IRF OPEN INTEREST (w.o.w)				
Security	Contract	3-Nov-21	29-Oct-21	Change
6.10% GOI 2031	25-Nov-2021	30181	36529	-6348
IRF PRICE (w.o.w)				
Security	Contract	3-Nov-21	29-Oct-21	Change
6.10% GOI 2031	25-Nov-2021	97.8325	97.7325	0.10

(GEPL Capital Research)

## Auction Scheduled For The Week

Date	Instrument	Expected Security	Nature of Flow	Amount (Cr)
9-Nov-21	SDL	5 States	Auction	6,000
10-Nov-21	T-Bills	91 DTB	Auction	10,000
10-Nov-21	T-Bills	182 DTB	Auction	3,000
10-Nov-21	T-Bills	364 DTB	Auction	7,000
12-Nov-21	G-Sec	4.26% GOI 2023	Auction	2,000
12-Nov-21	G-Sec	5.63% GOI 2026	Auction	6,000
12-Nov-21	G-Sec	6.67% GOI 2035	Auction	9,000
12-Nov-21	G-Sec	6.67% GOI 2050	Auction	7,000

(Source: www.rbi.org.in)+



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