



Debt Market Watch

25, Oct, 2021

One Stop Investment Avenue



Government Security Market: Update

The yield on the 10-year benchmark has climbed more than 25 basis points since the RBI's monetary policy statement on October 8, 2021, as the relentless rise in global crude oil prices and worries of higher inflation worldwide led to speculation about the Reserve Bank of India tightening monetary policy sooner than later. Brent crude oil prices, the global benchmark, have skyrocketed around 19 percent since September due to concerns of global demand outstripping supply; a concern that has been amplified by a recent acute shortage of coal and natural gas worldwide. During the week the three states sold 5-13 years loans in the range of 6.04 to 7.08 percent. In a treasury bill auction the Reserve Bank of India sold 91; 182 & 364 DTB at a yield of 3.4496; 3.6996 & 3.9490 percent respectively. The demand at the weekly auction was good and the cut-off was above expectations. The Reserve Bank of India sold 4.26% GOI 2023; 5.63% GOI 2026; 6.67% GOI 2035 & 6.67% GOI 2050 at a yield of 4.4057; 5.7296; 6.8479 & 7.1175 percent respectively.

The yield on the 6.10% government bond due December 2031 rose to 6.3640% from last week level of 6.3280%

Global Debt Market: Update

The 10-year U.S. Treasury yield hit 1.68% early on Friday after the latest weekly jobless claims report came in lower than expected in the previous session. The yield on the benchmark 10-year Treasury note fell 3.9 basis points to 1.636%. The yield on the 30-year Treasury bond fell 5.9 basis points to 2.069%. Employment data is one economic indicator being monitored by the Federal Reserve to help it decide when it should start pulling back emergency stimulus measures. In minutes released last week, Fed officials indicated that the central bank was nearing its economic goals and would soon start to normalize its monetary policy, starting with the winding down of its bond-buying program. Interest-rate swaps referencing the June meeting of the Federal Open Market Committee price in around 12 basis points of an increase. A full hike is fully priced into the September meeting, with a second hike by February 2023. The yield on the two-year Treasury note, meanwhile, climbed as much as 4 basis points Friday, topping 0.40% for the first time since March 2020.

Bond Market Ahead:

In a monetary policy review on October 8, 2021, the RBI has already given indications that it is unwilling to add more durable liquidity to the banking system by discontinuing its Government Securities Acquisition Programme and the 10-year benchmark has touched 6.40 percent from 6.12 percent before the monetary policy outcome. The only way to prevent the 10-year from breaching 6.40 percent is by doing OMOs, but doing OMOs right now is tricky given the liquidity situation. It is possible that RBI is letting yields drift higher because market fundamentals warrant it, but if volatility is to be prevented, then RBI will have to step in. The economy has not sufficiently recovered from the scars of the Covid-19 crisis to afford a sharp rise in borrowing costs. Higher interest rates and consequently higher sovereign yields will lead to a rise in funding costs for all sectors of the economy, right from corporate entities to those seeking home loans and the CPI numbers are on an easing trajectory, which can be a possible relief for the RBI MPC to keep the rates unchanged for an extended period. Possibly, the Reserve Bank of India board may consider an additional limit of up to Rs 40,000 crore as the existing limit of Rs 90,630 crore has been exhausted. They may raise the investment limit through the Voluntary Retention Route (VRR), a dedicated window for obtaining long-term overseas debt funds. Under overall limit categories, both general and long-term overseas investors utilized just about 15.52-36.73% of central bank securities, show data from Clearing Corporation of India (CCIL). VRR offers higher operational flexibility against the commitment of a minimum holding period and is seen as mitigating the risk of rupee volatility. This route can be utilized for investment in government securities and corporate bonds with a minimum cap of three years during which overseas investors cannot exit.

Bond Strategy:

- Buy 6.10% GOI 2031 around 6.38 percent with a target of 6.32 percent and a stop loss of 6.42 percent.
- Buy 6.67% GOI 2050 around 7.12/11 percent with a target of 7.07 percent and a stop loss of 7.16 percent.
- Buy 6.67% GOI 2035 around 6.85/86 percent with a target of 6.81 percent and a stop loss of 6.90 percent.

(Source: Bloomberg, GEPL Capital Research)

Economic Calendar

DATA	DATE
Singapore CPI Data	25-Oct-2021
Russia's IIP Data	25-Oct-2021
Singapore IIP Data	26-Oct-2021
Japan CPI Data	26-Oct-2021
Germany CPI Data	27-Oct-2021
Bank of Canada— Monetary Policy review	27-Oct-2021
Japan Interest rate decision	28-Oct-2021
US employment data	28-Oct-2021
Germany employment data	28-Oct-2021
ECB Interest rate decision	28-Oct-2021

(Source: Bloomberg)

Economic Indicator

Particulars	22-10-2021	14-10-2021	Change
5 Year Indian Govt. Bond(%)	5.73	5.67	0.06
10 Year Indian Govt. Bond(%)	6.36	6.33	0.03
15 Year Indian Govt. Bond(%)	6.85	6.81	0.04
Call Money Market (%)	3.25	3.30	-0.05
Crude Oil (in Dollar/barrel)	84.61	84.84	-0.23
US 10 Year Treasury (%)	1.68	1.57	0.11
UK 10 Year Treasury (%)	1.20	1.10	0.10
Rs. vs Dollar	74.87	75.03	-0.16
FOREX Reserves with RBI (in Dollar/bn)	641.00	639.52	1.48

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 6.25% to 6.34%.
(GEPL Capital Research)

Interest Rate Futures

IRF OPEN INTEREST (w.o.w)				
Security	Contract	22-Oct-21	14-Oct-21	Change
6.10% GOI 2031	28-Oct-2021	36529	35691	838
IRF PRICE (w.o.w)				
Security	Contract	22-Oct-21	14-Oct-21	Change
6.10% GOI 2031	28-Oct-2021	97.93	98.20	-0.27

(GEPL Capital Research)

Auction Scheduled For The Week

Date	Instrument	Expected Security	Nature of Flow	Amount (Cr)
26-Oct-21	SDL	13 States	Auction	20,625
28-Oct-21	T-Bills	91 DTB	Auction	10,000
28-Oct-21	T-Bills	182 DTB	Auction	3,000
28-Oct-21	T-Bills	364 DTB	Auction	7,000
29-Oct-21	GS	6.10% GS 2031	Auction	13,000
29-Oct-21	GS	GS FRB 2034	Auction	4,000
29-Oct-21	GS	6.76% GS 2061%	Auction	7,000

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



Debt Market Watch

25, Oct, 2021

One Stop Investment Avenue



Name	Designation	Certification	Email	Contact
Deepak Panjwani	Head – Debt Market	MBA - Finance & Marketing	deepak@geplcapital.com	91 (22) 6618 2352

I, Mr. **Deepak Panjwani** (Head - Debt Market of GEPL Capital), having Education Qualification **MBA - Finance & Marketing**, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I, also certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Disclosure :-

This document has been prepared by Research Department of GEPL Capital Pvt. Ltd. (hereinafter referred to as GEPL) and this report is for personal information of the selected recipient/s and does not constitute to be any investment, recommendation, prospectus, offering circular or legal or taxation advice to you. This research report does not constitute an offer, invitation or inducement to invest in securities or other investments and GEPL is not soliciting any action based upon it. This report is not for public distribution and has been furnished to you solely for your general information and should not be reproduced or redistributed to any other person in any form. This report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, investors should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. GEPL makes no representation or warranty, express or implied, as to, and does not accept any responsibility or liability or obligation with respect to, the fairness, accuracy, completeness or correctness of any information or update information or opinions contained herein.

All investments including Future and Options are involving risks and investors should exercise prudence in making their investment decisions. The report should not be regarded by the recipients as a substitute for the exercise of their own judgment. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or GEPL as a result of using different assumptions and criteria. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report.

The information contained in this report has been obtained from sources that are considered to be reliable. However, GEPL has not independently verified the accuracy or completeness of the same. Neither GEPL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

GEPL and its affiliates and/or their officers, directors and employees may have similar position in any securities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such securities (or investment). GEPL specifically prohibits the redistribution of this material in whole or in part without the written permission of GEPL and GEPL accepts no liability whatsoever for the actions of third parties in this regard. GEPL or its director or its research analysts or its associates or his relatives and/or its affiliates and/or employees do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

Disclaimers in respect of jurisdiction:

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such Distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject GEPL its affiliates to any registration or licensing requirement within such jurisdiction. If this report is inadvertently sent or has reached any individual the same may be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published for any purposes without prior written approval of GEPL.

Analyst Certification:

The views expressed in this research report reflect the personal views of the analyst(s) about the subject securities or issues. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months.

GEPL Capital Private Limited is a SEBI registered Research Analyst entity bearing SEBI Reg. No. "INH000000081" under SEBI (Research Analysts) Regulations, 2014.

Reg./Corp. Office : D-21 Dhanraj Mahal, CSM Marg, Colaba, Mumbai 400 001 Contact No +91 22 66182400

SEBI Reg.No. NSE/NSEF&O/CD - INB230993934, INF230993934 & INE230993934. BSE/BSE F&O- INB010993934 & INF010993934,

For more information visit us at : www.geplcapital.com

For research related queries email at research@geplcapital.com