



Debt Market Watch

28 Mar, 2022



Government Security Market Update :

Despite higher energy prices and US Treasury yield moving up the Indian bond yields have stayed under the lid as RBI governor Shaktikanta Das verbal assurance that liquidity will be in abundance. Indian 10-year benchmark yields rising just about 8 basis points since the Russia-Ukraine war began on February 22, compared with 50 bps in the US - reflecting the hope that RBI would be able to keep rates low. During the week the nine states sold 4-25 years loan in the range of 6.46 to 7.43 percent and in the Treasury bill auction the Reserve Bank of India sold 91, 182 & 364 DTB at a yield of 3.7992; 4.3199 & 4.6189 percent respectively.

The yield on the 6.54% government bond due January 2032 rose to 6.8116% from last week level of 6.7781%

Global Debt Market Update:

The yield on the benchmark 10-year Treasury note moved 14.3 basis points higher to 2.484%. The yield on the 30-year Treasury bond jumped 8.1 basis points to 2.593%. The moves come higher amid growing expectations the Federal Reserve will be more aggressive in its tightening cycle. The Treasury yield curve, a line measuring the differences between yields across maturities, has flattened significantly in recent months, with investors now looking for the 2-year yield to eventually move above the 10-year yield — a phenomenon that has preceded most past recessions. The selloff, which began months ago, gathered momentum in recent sessions after Fed Chair Jerome Powell flagged the possibility of bigger-than-usual interest rate hikes. As a result, the rates-sensitive yen plumbed six-year lows of 121.41 per dollar on Wednesday. Bonds in Asia were kept under pressure on Wednesday though the volume of selling moderated a bit. Ten-year Australian government bond yields rose 3.5 bps to 2.776%, anchored Japanese 10-year yields edged up to 0.222%, close to testing the Bank of Japan's 0.25% ceiling.

Bond Market Ahead:

The market borrowing calendar for FY 23 & rising energy prices will mount up the pressure on the bond yield. The yields are likely to inch higher in the coming times and the market will also worry that the US Federal Reserve will make half-point interest rate increase as officials' signal that they may soon need to step up efforts to reduce the higher inflation in 40 years. Morgan Stanley, Goldman Sachs and Jefferies now expect the Fed to deliver back-to-back half point adjustments at each of the four remaining meetings after the June meet. Shifting expectations have unsettled US government bond markets, sending yields surging across all maturities. The benchmark 10-year note traded as high as 2.50 percent, nearly a full percentage points above its January level. The Indian bonds yield may inch closer or above 7% before the RBI MPC meet on April 8 and continue to rise till 7.42 percent in the next three months. The spread between the 10-year benchmark and state loan may widen as the states borrowing will be on the higher side .

Bond Strategy:

- Sell 6.54% GOI 2032 around 6.77/78 with a target of 6.84 and a stop loss of 6.74 percent.
- Sell 6.10% GOI 2031 around 6.79/80 with a target of 6.86 and a stop loss of 6.76 percent.

Source: Bloomberg, GEPL Capital Research)

Economic Calendar

DATA	DATE
Thailand IIP Data	28-Mar-2022
Spanish CPI Data	30-Mar-2022
Thailand Interest Rate Decision	30-Mar-2022
German CPI Data	30-Mar-2022
U.S. GDP Data	30-Mar-2022
South Korean IIP Data	31-Mar-2022
Japan IIP Data	31-Mar-2022
GBP GDP Data	31-Mar-2022
French CPI Data	31-Mar-2022
OPEC Meeting	31-Mar-2022
Portuguese CPI Data	31-Mar-2022
U.S. Jobless Claims	31-Mar-2022
Brazil IIP Data	01-Apr-2022

(Source: Bloomberg)

Economic Indicator

Particulars	25-Mar-22	17-Mar-22	Change
5 Year Indian Govt. Bond(%)	6.02	5.94	0.08
10 Year Indian Govt. Bond(%) (6.54% GS 2032)	6.81	6.78	0.03
15 Year Indian Govt. Bond(%)	7.12	7.11	0.01
Call Money Market (%)	3.00	3.25	-0.25
Crude Oil (in Dollar/barrel)	112.58	107.96	4.62
US 10 Year Treasury (%)	2.49	2.15	0.34
UK 10 Year Treasury (%)	1.7	1.51	0.19
Rs. vs Dollar	76.28	75.95	0.33
FOREX Reserves with RBI (in Dollar/bn)	619.68	622.28	2.6

Policy Rates

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

— Adverse + Favour

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

DATA	Feb-2022 (released on 14-Mar-2022)	Jan-2022 (released on 14-Feb-2022)	Change
CPI DATA (%) (Monthly)	6.07	6.01	0.06

DATA	Jan-2022 (released on 11-Mar-2022)	Dec-2021 (released on 12-Feb-2022)	Change
IIP DATA (Monthly)	1.3	1.4	-0.1



Yield Outlook for the week

The 10 year Benchmark 6.54% GS 2032 likely to move in the range of 6.77% to 6.84% (GEPL Capital Research)

Interest Rate Futures

IRF OPEN INTEREST (w.o.w)					
Security	Contract	25-March-22	17-March-22	Change	
6.10% GOI 2031	29-Mar-2022	52687	58641	-5954	

IRF PRICE (w.o.w)					
Security	Contract	25-March-22	17-March-22	Change	
6.10% GOI 2031	29-Mar-2022	94.93	94.99	-0.06	

(GEPL Capital Research)

Auction Scheduled For The Week

Date	Instrument	Expected Security	Nature of Flow	Amount (Cr)
29-Mar-22	SDL	17 States	Auction	37,353
30-Mar-22	T-Bills	91 DTB	Auction	7,000
30-Mar-22	T-Bills	182 DTB	Auction	15,000
30-Mar-22	T-Bills	364 DTB	Auction	15,000

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



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One Stop Investment Avenue



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