

Debt Market Watch

25 April, 2022

Government Security Market Update :

India's annual wholesale inflation rate accelerated to 14.55% in March, data showed, completing a year in double-digit territory as firms grapple with rising input costs and pass on higher prices to consumers. Supply shortages and price increases in a number of input goods due to the Russia-Ukraine conflict will keep domestic inflation high in the coming months. The market started the week on a positive note and short covering pulled down the 10-year benchmark below 7.10 percent but later the market gave away the gains and yield moved back towards 7.18 percent. During the week the Reserve Bank of India sold 91; 182 & 364 DTB at a yield of 3.9599; 4.4097 & 4.8130 percent respectively. In a weekly auction and the second auction of the FY23 the RBI sold 5.74% GS 2026; GOI FRB 2034; 6.67% GS 2035 & 6.99% GS 2051 at a yield of 6.6681; 5.6473; 7.3552 & 7.4693 percent respectively.

The yield on the 6.54% government bond due January 2032 fell to 7.1662% from last week level of 7.2148%

Global Debt Market Update:

The comments from Fed push the Treasury yield higher. By late Friday, the two-year Treasury yield, which is highly sensitive to monetary policy changes, rose to 2.69%, up about 23 basis points from a week earlier. The 10-year yield ended at 2.9%, up 7 basis points on the week, after nearly reaching 3% on Wednesday. Treasuries have sold off sharply in 2022, driving yields higher as investors wrestle with U.S. inflation running at its hottest in four decades. The Federal Reserve is expected to deliver a series of benchmark interest rate increases in coming months and has said it will implement a plan to begin reducing the size of its balance sheet as it removes the extraordinary accommodation put in place in response to the COVID-19 pandemic in early 2020. Meanwhile, Russia has begun a new phase of its invasion by launching a full-scale ground offensive to take control of Ukraine's industrial heartland, the Donbas. The focused attack on the eastern Ukraine region was expected when Russian forces withdrew from the area around the capital Kyiv after being stopped by Ukrainian forces. The invasion has sparked a sharp rise in prices of oil, grain and other commodities, stoking inflation pressures globally.

Bond Market Ahead:

The ongoing geo-political tension between Russia and Ukraine is mounting up pressure on the Indian economy and the Reserve Bank of India indicated the shifting of focus towards controlling the price rise mainly due to the higher crude oil and food price. It will be difficult for the MPC members to keep the rates lower for longer period to support growth. The RBI, revised its inflation forecast for the current FY to 5.7 percent from 4.5 percent projected in February policy. The GDP forecast was also revised downward to 7.2 percent and the IMF this week estimated an 8.20 percent pace of expansion this year. The recently released minutes of the monetary policy was indicating the shift in the focus and withdrawal of the ultra-loose monetary policy. The global bond yields are surging as the other developed economies are facing the issue of the higher inflation and Fed may hike the rate by 50 bps when they will present the monetary policy on May 4, 2022. The market will be range bound and can come under pressure by the end of this week and yield may move around 7.25 percent post April 29.

Bond Strategy:

- Sell 6.54% GOI 2032 around 7.14/7.15 with a target of 7.24 and a stop loss of 7.10%.
- Sell 6.10% GOI 2031 around 7.17/18 with a target of 7.27 and a stop loss of 7.13%.

Source: Bloomberg, GEPL Capital Research)

Economic Calendar

DATA	DATE
Singapore CPI Data	25-Apr-2022
South Korean GDP Data	26-Apr-2022
Singapore IIP Data	26-Apr-2022
Australia's CPI Data	27-Apr-2022
Brazil Mid Month CPI Data	27 Apr-2022
Russia IIP Data	27-Apr-2022
Russia GDP Data	28-Apr-2022
Japan IIP Data	28-Apr-2022
BOJ Interest Rate Decision	28-Apr-2022
Thailand IIP Data	28-Apr-2022
Swedish GDP Data	28-Apr-2022
Spanish CPI Data	28-Apr-2022
German CPI Data	28-Apr-2022
U.S GDP & Jobless Claims	28-Apr-2022
French CPI & GDP Data	29-Apr-2022
Italian CPI & GDP Data	29-Apr-2022

(Source: Bloomberg)

Economic Indicator

Particulars	22-Apr-22	13-Apr-22	Change
5 Year Indian Govt. Bond(%)	6.46	6.49	-0.03
10 Year Indian Govt. Bond(%) (6.54% GS 2032)	7.17	7.21	-0.04
15 Year Indian Govt. Bond(%)	7.36	7.44	-0.08
Call Money Market (%)	3.25	3.25	0
Brent Crude Oil (in Dollar/barrel)	106.15	111.70	5.55
US 10 Year Treasury (%)	2.85	2.83	0.02
UK 10 Year Treasury (%)	1.97	1.9	0.07
Rs. vs Dollar	76.58	76.33	0.25
FOREX Reserves with RBI (in Dollar/bn)	603.69	604	-0.31

Policy Rates

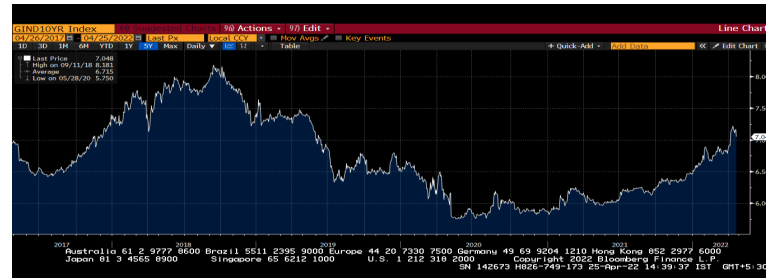
Repo Rate	4.00%
Reverse Repo Rate	3.35%
CRR	4.00%

— Adverse + Favour

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

DATA	Mar-2022 (released on 12-Apr-2022)	Feb-2022 (released on 14-Mar-2022)	Change
CPI DATA (%) (Monthly)	6.95	6.07	0.88

DATA	Feb-2022 (released on 12-Apr-2022)	Jan-2022 (released on 11-Mar-2022)	Change
IIP DATA (Monthly)	1.7	1.3	0.4



Yield Outlook for the week

The 10 year Benchmark 6.54% GS 2032 likely to move in the range of 7.14% to 7.24% (GEPL Capital Research)

Interest Rate Futures

IRF OPEN INTEREST (w.o.w)				
Security	Contract	22-Apr-22	13-Apr-22	Change
6.10% GOI 2031	28-Apr-2022	63906	62695	1211

IRF PRICE (w.o.w)				
Security	Contract	22-Apr-22	13-Apr-22	Change
6.10% GOI 2031	28-Apr-2022	92.45	92.13	0.32

(GEPL Capital Research)

Auction Scheduled For The Week

Date	Instru-ment	Expected Security	Nature of Flow	Amount (Cr)
26-Apr-22	SDL	1 State	Auction	1,500
27-Apr-22	T-Bills	91 DTB	Auction	13,000
27-Apr-22	T-Bills	182 DTB	Auction	12,000
27-Apr-22	T-Bills	364 DTB	Auction	8,000
29-Apr-22	G-Sec	4.56% GS 2023	Auction	4,000
29-Apr-22	G-Sec	7.10% GS 2029	Auction	7,000
29-Apr-22	G-Sec	6.54% GS 2032	Auction	13,000
29-Apr-22	G-Sec	6.95% GS 2061	Auction	9,000

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



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One Stop Investment Avenue



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