

Debt Market Watch

29th October, 2019

One Stop Investment Avenue



Government Security Market: Update

The market has seen some positive move in the last week as the yield moved in the range of 6.64 to 6.73 percent as the market has already discounted the worst on front of the fiscal burden. During the week the twelve states sold 4 to 10 years loans worth Rs.14894 crore in the range of 6.52 to 7.24 percent. In a treasury bill counter the RBI sold 91; 182 and 364 DTB at a yield of 5.0772; 5.2056 and 5.3221 percent respectively.

The yield on the 7.26% government bond due January 2029 fell to 6.6778% from last week level of 6.6991%.

Global Debt Market: Update

U.S. Treasury yields rose ahead of FOMC meet as geopolitical and trade fears risk minimizing and drawing investors away from heaven assets into those perceived as risky. The 10 year Treasury yield rose to 1.853% and 30 year yield spiked to 2.348%. EU leaders agreed to extend the Brexit deadline from October 31 to Jan 31. Over the weekend, news report said that Beijing had agreed to sections of text for the so-called Phase 1 trade deal, in which the U.S. will cancel tariffs on Chinese imports in return for promises by China to buy U.S. agricultural goods. In economic data, the U.S. trade deficit in September came in at \$70.4 billion, below the \$73.7 billion expected by economists. The Chicago Fed National Activity Index fell to negative -0.45 in September from 0.15 in August.

Bond Market Ahead:

FOMC meet outcome will drive the market either way. If the Fed cut the rate by 25bps and give the guidance for further easing the market will turn positive and will plot the ground for easing from the RBI MPC in December policy. The slowdown in economy need lower rates for an extended period to stimulate the growth and revive the economic activities and for that bond yields need to ease from the current level. The spread will shrink from the current level of 135 bps to 100 bps as the stance maintained by the RBI MPC is accommodative and will remain same for the extended period. The government will also come out with a plan for issuing the Sovereign bonds very shortly as this will remove the pressure of fiscal burden which is building up the cloud of extra borrowings from the center currently.

Bond Strategy:

- Buy 7.26 GOI 2029 around 6.69/70 with a target of 6.62 and a stop loss of 6.74 percent.
- Buy 6.45 GOI 2029 around 6.51/52 with a target of 6.45 and a stop loss of 6.56 percent.
- Buy 7.95 GOI 2032 around 7.09/11 with a target of 7.04 and a stop loss of 7.16 percent

(Source: Bloomberg, GEPL Capital Research).

Economic Calendar

DATA	DATE
FOMC Meeting	29 & 30 -Oct-2019
India's Economic Survey	30-Oct-2019
U.S GDP	30-Oct-2019
Japan's Monetary Policy Statement	31-Oct-2019
India's Fiscal Deficit	31-Oct-2019
Bank of Japan Policy Rate	31-Oct-2019
US Jobless claim	31-Oct-2019
Fed Balance Sheet	31-Oct-2019

(Source: Bloomberg)

Economic Indicator

Particulars	25-Oct-19	18-Oct-19	Change
5 Year Indian Govt. Bond(%)	6.27	6.29	-0.02
10 Year Indian Govt. Bond(%)	6.68	6.7	-0.02
15 Year Indian Govt. Bond(%)	7.02	7.04	-0.02
Call Money Market (%)	5.1	5.15	-0.05
Crude Oil (in Dollar/barrel)	62.02	60.08	1.94
US 10 Year Treasury (%)	1.85	1.76	0.09
UK 10 Year Treasury (%)	0.68	0.73	-0.05
Rs. vs Dollar	70.82	71.15	-0.33
FOREX Reserves with RBI (in Dollar/bn)	440.75	439.71	-1.04
LAF(REPO @ 5.15%) (in Rs. Cr. Weekly)	27019	19097	7922
LAF(REVERSE REVERSE REPO@ 4.90%) (in Rs. Cr. Weekly)	89208	149343	-60135

— Adverse + Favour

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

DATA	Sept -19 (released on 11-Oct-19)	August -19 (released on 12-Sept-19)	Change
CPI DATA (%) (Monthly)	3.99	3.21	0.78
IIP DATA (Monthly)	-1.1	4.30	3.2



Yield Outlook for the week

10 year Benchmark 7.26% GOI 2029 likely to move in the range of 6.62% to 6.70% percent .

(GEPL Capital Research)

Interest Rate Future

IRF OPEN INTEREST (w.o.w)				
Security	Contract	25-Oct-19	18-Oct-19	Change
7.26% GOI 2029	31-Oct-2019	139316	164557	-25241
IRF PRICE (w.o.w)				
Security	Contract	25-Oct-19	18-Oct-19	Change
7.26% GOI 2029	31-Oct-2019	103.96	103.75	0.21

(GEPL Capital Research)

Auction Scheduled For The Week

Date	Instrument	Expected Security	Nature of Flow	Amount (Cr)
29-Oct-19	SDL	10 States	Auction	11600
30-Oct-19	T-Bills	91 DTB	Auction	9000
30-Oct-19	T-Bills	182 DTB	Auction	4000
30-Oct-19	T-Bills	364 DTB	Auction	3000
01-Nov-19	GS	NEW GS 2024	Auction	4000
01-Nov-19	GS	GOI FRB 2031	Auction	6000
01-Nov-19	GS	7.69 GS 2043	Auction	2000
01-Nov-19	GS	7.72 GS 2049	Auction	4000

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



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

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

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