

WEEKLY ROUND UP (01st April 2024)

Roundup of key domestic / global economic developments during the previous week

(Dates of International events have been shown as per Indian Standard Time)

- India's Q3 FY24 Current Account Balance showed a **deficit of \$10.5 bn** (1.2% of GDP) <https://tinyurl.com/svazccb5>
- **Meeting Schedule** of RBI's **Monetary Policy Committee** for 2024-2025 <https://tinyurl.com/3pnmwxy6>
- Government of India's **fiscal deficit** at the end of February 2024 was **Rs. 1501365 crore** (86.5% of FY24 revised estimate of Rs. 1734773 crore) <https://tinyurl.com/5h3vc9yy>
- **Combined Index of Eight Core Industries** was **up 6.7%** in Feb 2024 <https://tinyurl.com/yeyjmfdv>
- **US Durable Goods Orders** for February 2024 had a **1.4% MoM change**.
- **US Personal Income** for February 2024 was **up 0.3% MoM** and Personal Spending was up 0.8% MoM. **US Core PCE Price Index** increased **0.3% MoM** <https://tinyurl.com/ydkdacrw>
- **US Q4 GDP** (third estimate) increased by **3.4% QoQ** <https://tinyurl.com/mr3cb2n8>
- On Wednesday, 27th March 2024, the US EIA released its weekly crude oil inventory data for the **week ended 22nd March 2024**. Inventory **went up by 3.165 million barrels**. The current crude oil inventory is **448.207 million barrels** <https://tinyurl.com/y3efgzno>

RBI Watch

- Calendar for Auction of Gov Treasury Bills for the quarter ending June 2024 shows Rs. 144000 crore to be borrowed through 91-day T-Bills, Rs. 79000 crore through 182-day T-Bills and Rs. 98000 crore through 364-day T-Bills (total of Rs. 321000 crore) <https://tinyurl.com/4wwn5mj2>
- Issuance Calendar for Marketable Dated Securities for Apr – Sep 2024 shows that the Government will be borrowing Rs. 750000 crore in H1 of FY25 (53.08% of FY25 projected borrowing of Rs. 14.13 lakh crore) <https://tinyurl.com/2k4p2wx6>
- Indicative Calendar for Market borrowings by State Governments / Union Territories for the April - June 2024 Quarter shows a total borrowing of Rs. 254040 crore <https://tinyurl.com/bdz6x2p2>
- Result of the Overnight Variable Rate Repo (VRR) auction for Rs. 100000 crore held on 26th March 2024 <https://tinyurl.com/y62r775k>
- Result of RBI's sale auction for Rs. 55032.49 crore of State Government Securities (18 states) held on Tuesday, 26th March 2024 <https://tinyurl.com/mryh5yew>
- Result of the 6-day Variable Rate Repo (VRR) auction for Rs. 75000 crore held on 27th March 2024 <https://tinyurl.com/5ycusnj9>
- Result of Treasury Bill auction for Rs. 34000 crore held on Wednesday, 27th March 2024 <https://tinyurl.com/28njvz8z>
- Upcoming RBI's sale auction for Rs. 16100 crore of State Government Securities (7 states) to be held on Tuesday, 02nd April 2024 <https://tinyurl.com/5n76r782>

Upcoming developments this week

- On Friday, 05th April 2024 (10.00 AM IST), RBI Governor is expected to announce the MPC's interest rate decision (market consensus is that the repo rate would be kept unchanged at 6.50%).
- On Friday, 05th April 2024 (06.00 PM IST), US Non-Farm Payrolls data for March 2024 is scheduled to be released (consensus estimate 200k change).
- On Friday, 05th April 2024 (06.00 PM IST), US Unemployment Rate data for March 2024 is scheduled to be released (consensus estimate 3.9%).

RBI Key Rates

Repo rate	6.50%
Marginal Standing Facility rate (MSF)	6.75%
Standing Deposit Facility rate (SDF)	6.25%
Reverse Repo rate	3.35%
CRR	4.50%
SLR	18.00%

Key Market Data

Data Item	Closing values for previous week ended 29 th March 2024	Previous Week's Range
# Indian 10-year GOI yield	7.0523%	7.0233% - 7.1007%
US 10-year yield	4.21%	4.182% - 4.273%
Brent Crude futures price	\$87.00	\$85.11 - \$87.17
USDINR Currency futures	Rs. 83.405	Rs. 83.254 – Rs. 83.548

7.18% GS 2033

Key Economic Data

Economic Data item	Previous	Estimated / Projected
GDP (annual growth rate)	Q3 FY24 8.4% YoY growth	7.6% Real GDP growth for FY24 (NSO estimate)
IIP	3.80% YoY (January 2024)	
Inflation numbers (CPI)	5.09% YoY (February 2024)	5.4% for FY24 – RBI estimate
Wholesale Price Index (WPI)	0.20% YoY (February 2024)	
GST collections	Rs 1,68,337 crore (in Feb 2024)	
Fiscal Deficit (% of GDP)	Rs. 15,01,365 crore for Apr – Feb FY24 (86.5% of FY24 estimate)	Rs. 17,34,773 crore for FY24 (5.8% of FY24 GDP)
Current account balance	Q3 FY24 Current Account Deficit (CAD) is \$10.5 bn (1.2% of GDP)	
Foreign Exchange Reserves	\$642.631 bn (22nd Mar 2024)	

Non SLR Watch (for week ended 28th March 2024)

Segment	Annualised YTM (in %)	Spread over G-Sec (basis pts)
AAA PSU 10 Year	7.40 – 7.59	18 – 39
AAA PSU 5 Year	7.39 – 7.62	22 – 45
AAA NBFC 10 year	7.70 – 7.84	51 – 62

TECHNICAL OUTLOOK ON THE INDIAN 10 YEAR GOI (Weekly Chart) 28/03/2024 (7.05%)



The Indian 10-year benchmark yield recorded a peak of 7.62% in June 2022. Post the peak, the benchmark yield drifted downward to a low of 6.94% in May 2023. During the downward drift, benchmark yield moved below the key 20 week Wilders moving average in April 2023. The weekly MACD, too, moved into negative territory. However, when the weekly MACD, again, moved into positive territory, the 7.36% level (the 61.8% retracement level of the entire fall from 7.62% to 6.94%) had capped the rise in yields.

The benchmark yield is, now, placed below the 20 week Wilders moving average (current value is 7.16%). The weekly MACD is in negative territory. The 7.11% - 7.12% zone has not been breached in the past several weeks. Yields are currently placed below the immediate demand level of 7.09%. If yields stay below 7.09%, in the coming weeks, the benchmark yield is likely to test the May 2023 low of 6.94%. However, if the selling decisively overcomes the 7.09% level, yields are likely to remain range bound for several weeks without going below 7.01%.

Brent Crude futures made a low of \$16 in April 2020. It then rallied to a high of \$137 in March 2022. Brent Crude futures have been in a corrective phase since then with a low of \$68 in May 2023 and a slightly higher low of \$72 in December 2023. Brent Crude prices are placed marginally above the immediate resistance of \$85. If it sustains above \$85, prices may move closer to \$94 in the coming weeks.

Last week, the USDINR futures moved well beyond Rs. 83 and made a new high for the USD at Rs. 83.73. This move has negated the potential weakness in the USD that we had been pointing out in recent weeks. For weakness in the USD / strength in the INR, a decisive move below Rs. 82.80 levels is required. The USDINR may again remain in a trading range above Rs. 83.

After registering a peak of 15.84% in October 1981, US 10-year yields remained in a lower-top, lower-bottom formation and made a low of 0.40% in March 2020. The up move from the March 2020 low of 0.40% appears to be part of a larger trend reversal. Thus, US 10-year yields may stabilise at elevated levels in the coming months / years.

As projected in our 23rd January 2024 report, the US 10-year yields have remained in a trading range for several weeks with 4.33% capping the rise in yields and downsides limited to 3.92% (the 61.8% retracement level of the rise in yields from the April 2023 low of 3.25% to the October 2023 high of 5.00%). A weekly close below 3.92% is required for yields to fall further whereas a weekly close above 4.33% can trigger a further rise to 4.54%.

From the May 2021 low of 89.54, the Dollar Index embarked on a rise that culminated in September 2022 at 114.78. The Dollar Index then had a sharp fall which resulted in a low of 99.58 in July 2023. The 61.8% Fibonacci retracement level of the rise from 89.54 to 114.78 is 99.18, thereby making the July 2023 of 99.58 a crucial low. The subsequent sharp rally ended in October 2023 at 107.35 and the Dollar Index fell to 100.62 in December 2023. Thus, the Dollar Index is finding strong support in the 100 – 101 zone. The next rally in the Dollar Index faltered in February 2024 nearabout the key level of 104.81 (made a high of 104.98). Await a decisive move beyond 104.98 or a fall below the March 2024 low of 102.36.

The Indian 10-year benchmark yield (7.18% GS 2033) is below the critical 20 week Wilders moving average (currently at 7.16%) for several weeks. If yields stay below 7.09%, in the coming weeks, a test of the May 2023 low of 6.94% is likely. Else, yields may rise to next test the 7.11% - 7.12% demand zone with 7.16% remaining the crucial level.

KEY LEVELS TO WATCH:

Indian Benchmark Yield (7.18% GS 2033)

DEMAND LEVELS: 7.09%, 7.12%, 7.21%, 7.30%, 7.36%

SUPPLY LEVELS: 7.02%, 6.94%

US Benchmark Yield

DEMAND LEVELS: 4.33%, 4.54%

SUPPLY LEVELS: 3.92%, 3.63%

Brent Crude

DEMAND LEVELS: \$85, \$73, \$70

SUPPLY LEVELS: \$90, \$94

USDINR

SUPPLY LEVELS for INR: Rs. 83.30, Rs. 82.85, Rs. 82.35, Rs. 81.15

DEMAND LEVELS for INR: Rs. 84.54, Rs.85.74