

WEEKLY ROUND UP (22nd 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)

- In FY24, India's **Merchandise Trade Balance** showed a **deficit of \$ 240.18 bn** (merchandise exports of \$437.06 bn and merchandise imports of \$677.24 bn). Services Trade Balance for FY24 is estimated to have a surplus of \$162.06 bn (Services exports are estimated at \$339.62 bn whereas Services imports are estimated at \$177.56 bn). The Overall Trade Deficit (Merchandise + Services) for FY24 is estimated at \$78.12 bn (overall exports of \$776.68 bn and overall imports of \$854.80 bn) <https://tinyurl.com/bddnsj86>
- India's **Wholesale Price Index (WPI)** for March 2024 was **up 0.53% YoY** <https://tinyurl.com/5846j9kc>
- **US Retail Sales** for March 2024 was **up 0.7% MoM**.
- **China's Q1 GDP** is estimated to have grown at **5.3% YoY**.
- **China's March 2024 Industrial Production** is estimated to have **grown 4.5% YoY**.
- **Japan's March 2024 Inflation Rate** was **up 2.7% YoY**.
- On Wednesday, 17th April 2024, the US EIA released its weekly crude oil inventory data for the **week ended 12th April 2024**. Inventory **went up by 2.735 million barrels**. The current crude oil inventory is **459.993 million barrels** <https://tinyurl.com/y3efgzno>

RBI Watch

- Minutes of RBI's Monetary Policy Committee meeting in April 2024 <https://tinyurl.com/n236hvbp>
- Result of the Switch / Conversion auction of Government of India Securities for Rs.14000 crore held on Monday, 15th April 2024 <https://tinyurl.com/yfx8xkam>
- Result of the 2-day Variable Rate Reverse Repo (VRRR) auction for Rs. 50000 crore held on 16th April 2024 <https://tinyurl.com/3567tzfh>
- Result of RBI's sale auction for Rs. 1900 crore of State Government Securities (2 states) held on Tuesday, 16th April 2024 <https://tinyurl.com/meyhvpt8>
- Result of the Overnight Variable Rate Reverse Repo (VRRR) auction for Rs. 75000 crore held on 18th April 2024 <https://tinyurl.com/242txuhu>
- Result of Treasury Bill auction for Rs. 27000 crore held on Thursday, 18th April 2024 <https://tinyurl.com/4rf7fes2>
- Result of the 14-day Variable Rate Repo (VRR) auction for Rs. 75000 crore held on 19th April 2024 <https://tinyurl.com/mvw2649p>
- Result of RBI's sale auction of Rs. 24000 crore, for two Government of India securities, held on Friday, 19th April 2024 <https://tinyurl.com/4sd88c7d>
- Upcoming RBI's sale auction for Rs. 12000 crore of State Government Securities (5 states) to be held on Tuesday, 23rd April 2024 <https://tinyurl.com/5du6zhhx>

Upcoming developments this week

- On Tuesday, 23rd April 2024 (06.00 PM IST), US Durable Goods Orders data for March 2024 is scheduled to be released (consensus estimate 2.50% MoM change).
- On Thursday, 25th April 2024 (06.00 PM IST), US Advance estimate of Q1 GDP growth rate is scheduled to be released (consensus estimate 2.50% QoQ change).
- On Friday, 26th April 2024 (08.30 AM IST), Bank of Japan is scheduled to announce its interest rate decision (consensus opinion is that rates would be kept unchanged at 0%).

- On Friday, 26th April 2024 (06.00 PM IST), US Core PCE Price Index data for March 2024 is scheduled to be released (consensus estimate 0.3% MoM change).
- On Friday, 26th April 2024 (06.00 PM IST), US Personal Income & Personal Spending data for March 2024 is likely to be released (consensus estimate 0.5% MoM change & 0.6% MoM change respectively).

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 19 th April 2024	Previous Week's Range
# Indian 10-year GOI yield	7.2253%	7.1548% - 7.2316%
US 10-year yield	4.623%	4.496% - 4.696%
Brent Crude futures price	\$87.21	\$86.09 - \$91.05
USDINR Currency futures	Rs. 83.36	Rs. 83.362 – Rs. 83.747

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	5.67% YoY (February 2024)	
Inflation numbers (CPI)	4.85% YoY (March 2024)	4.5% for FY25 – RBI estimate
Wholesale Price Index (WPI)	0.53% YoY (March 2024)	
GST collections	Rs 1,78,484 crore (in Mar 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	\$643.162 bn (12th Apr 2024)	

Non SLR Watch (for week ended 19th April 2024)

Segment	Annualised YTM (in %)	Spread over G-Sec (basis pts)
AAA PSU 10 Year	7.45 - 7.59	17 - 28
AAA PSU 5 Year	7.50 – 7.70	21 – 37
AAA NBFC 10 year	7.75 – 7.88	37 – 60

TECHNICAL OUTLOOK ON THE INDIAN 10 YEAR GOI (Weekly Chart) 19/04/2024 (7.23%)



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 old benchmark yield is, now, placed well above the 20 week Wilders moving average (current value is 7.16%) whereas the new benchmark yield (7.10% GS 2034) is placed right at the average. The weekly MACD remains in negative territory. The new benchmark paper will be available in this week's Friday auction and is likely to become the most liquid paper after that. In the near term, the 7.16% level remains important. If the new benchmark security closes the week above 7.16%, it would confirm the negative outlook towards yields. If it stays below 7.16%, the new benchmark yield may trade between 7.16% and 7.09% for a few weeks.

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. Post consolidation at the lows, Brent Crude prices are attempting to move higher. It is now trading between the resistance at \$94 and the near-term support at \$85.

In recent weeks, the USDINR futures have moved well beyond Rs. 83 and even made a new high for the USD at Rs. 83.73. This has negated the potential weakness in the USD. For weakness in the USD / strength in the INR, a decisive move below Rs. 82.80 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.

After trading for several weeks between 3.92%, the 61.8% retracement level of the rise in yields from 3.25% (April 2023 low) to 5.00% (October 2023 high) and 4.33%, the US 10-year yield moved past 4.33% in recent weeks. Last week, it moved past the next resistance at 4.54%. If it stays above 4.54%, the 10-year yield may move closer to the October 2023 high of 5.00%. A weekly close below 4.33% is required for the 10-year yield to head lower.

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 ongoing rally in the Dollar Index is now approaching the October 2023 high of 107.35. Await a decisive close above 107.35 or a fall below 104.81.

Last week, the old 10-year benchmark yield (7.18% GS 2033) moved well beyond the critical 20 week Wilders moving average (currently at 7.16%). However, the yield on the new benchmark paper (7.10% GS 2034) is yet placed at 7.16%. If the new benchmark yield closes the week above 7.16%, it would confirm the negative outlook towards yields with 7.21% and 7.30% as potential upside targets. If it stays below 7.16%, the new benchmark yield could remain in a trading range between 7.16% and 7.09% for a few weeks.

KEY LEVELS TO WATCH:

Indian Benchmark Yield (7.10% GS 2034)

DEMAND LEVELS: 7.16%, 7.21%, 7.30%, 7.36%

SUPPLY LEVELS: 7.12%, 7.09%, 7.02%, 6.94%

US Benchmark Yield

DEMAND LEVELS: 5.00%

SUPPLY LEVELS: 4.54%, 4.33%, 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