

WEEKLY ROUND UP (05th February 2024)

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

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

- The **gross market borrowings and net market borrowings** during 2024-25 are estimated to be **Rs. 14.13 lakh crore** and **Rs. 11.75 lakh crore** respectively. Fiscal deficit in 2023-24 is expected to be 5.8% of GDP and the fiscal deficit in 2024-25 is estimated to be 5.1% of GDP. Finance Minister's budget speech <http://tinyurl.com/yra6zmmb>
- **Summary** of the Interim Union Budget for 2024-25 <http://tinyurl.com/5es6hwba>
- **Gross GST Revenue** collection in January 2024 is **Rs. 172129 crore**, second highest ever <http://tinyurl.com/35uh8a58>
- **US FOMC** decided to keep its key interest rate **unchanged at 5.50%** <http://tinyurl.com/ruy2x9nm>
- France's Q4 GDP grew **0% QoQ and 0.7% YoY** as per preliminary estimates.
- Germany's Q4 GDP had a **-0.3% QoQ change** and **-0.2% YoY change** as per flash estimates.
- European Area (EA) Q4 GDP had a **0% QoQ growth** and a **0.1% YoY growth** as per flash estimates.
- Bank of England's MPC kept its key interest rate **unchanged at 5.25%** <http://tinyurl.com/3k9ecdxs>
- **US Non-Farm Payrolls** for January 2024 had a **353k change**, (consensus estimate 173k change).
- **US Unemployment Rate** for January 2024 was **3.7%** (consensus estimate 3.8%).
- On Wednesday, 31st January 2024, the US EIA released its weekly crude oil inventory data for the **week ended 26th January 2024**. Inventory **went up by 1.234 million barrels**. The current crude oil inventory is **421.912 million barrels** <https://tinyurl.com/y3efgzno>

RBI Watch

- Monthly Data on India's International Trade in Services for December 2023 <http://tinyurl.com/3hjxh96>
- Result of the 2-day Variable Rate Repo auction for Rs. 25000 crore held on 29th January 2024 <http://tinyurl.com/4xmec57y>
- Result of RBI's sale auction for Rs. 26211 crore of State Government Securities (12 states) held on Tuesday, 30th January 2024 <http://tinyurl.com/bdzh7rej>
- Result of Treasury Bill auction for Rs. 27000 crore held on Wednesday, 31st January 2024 <http://tinyurl.com/ydnu75zh>
- Result of the 4-day Variable Rate Reverse Repo auction for Rs. 50000 crore held on 02nd February 2024 <http://tinyurl.com/2mh94dz5>
- Result of RBI's sale auction of Rs. 39000 crore, for four Government of India securities, held on Friday, 02nd February 2024 <http://tinyurl.com/b753a9ba>
- Upcoming RBI's sale auction for Rs. 26710 crore of State Government Securities (14 states) to be held on Tuesday, 06th February 2024 <http://tinyurl.com/yc982dcx>

Upcoming developments this week

- On Thursday, 08th February 2024 (10.00 AM IST), RBI Governor is expected to announce the MPC's interest rate decision (consensus opinion is that repo rate would remain unchanged at 6.50%).

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 02 nd February 2024	Previous Week's Range
# Indian 10-year GOI yield	7.0499%	7.0204% - 7.1823%
US 10-year yield	4.024%	3.816% - 4.145%
Brent Crude futures price	\$77.33	\$76.85 - \$84.80
USDINR Currency futures	Rs. 82.9263	Rs. 82.826 – Rs. 83.177

7.18% GS 2033

Key Economic Data

Economic Data item	Previous	Estimated / Projected
GDP (annual growth rate)	Q2 FY24 7.6% YoY growth	7.3% Real GDP growth for FY24 (NSO estimate)
IIP	2.4% (November 2023)	
Inflation numbers (CPI)	5.69% (December 2023)	5.4% for FY24 – RBI estimate
Wholesale Price Index (WPI)	0.73% (December 2023)	
GST collections	Rs 1,72,129 crore (in Jan 2024)	
Fiscal Deficit (% of GDP)	Rs. 9,82,278 crore for Apr – Dec FY24 (55% of FY24 estimate)	Rs. 17,34,773 crore for FY24 (5.8% of FY24 GDP)
Current account balance	Q2 FY24 Current Account Deficit (CAD) is \$8.3 bn (1% of GDP)	
Foreign Exchange Reserves	\$616.733 bn (26th Jan 2024)	

Non SLR Watch (for week ended 02nd February 2024)

Segment	Annualised YTM (in %)	Spread over G-Sec (basis pts)
AAA PSU 10 Year	7.56 – 7.63	29 – 35
AAA PSU 5 Year	7.48 – 7.69	34 – 49
AAA NBFC 10 year	7.74 – 7.90	50 – 70

TECHNICAL OUTLOOK ON THE INDIAN 10 YEAR GOI (Weekly Chart) 02/02/2024 (7.05%)



The Indian 10-year benchmark yield recorded a peak of 7.62% in June 2022. Post the peak, the benchmark yield drifted downwards 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, a few weeks back, the weekly MACD, again, moved into positive territory. Nevertheless, 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, currently, placed below the 20 week Wilders moving average (current value is 7.21%). The weekly MACD is placed in negative territory. The benchmark yield went below the 7.11% - 7.07% supply zone to test a low of 7.02% last week. The 7.07% - 7.11% zone may, now, cap any immediate rise in yields. After consolidation for a few days / weeks, the benchmark yield may test the May 2023 low of 6.94% in the coming 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. Brent Crude prices are likely to remain in a trading range between \$72 and \$85 / \$94 for several weeks.

The USDINR futures had repeatedly tested the October 2022 high of Rs. 83.268 and was trading above it for several weeks. However, weakness in the USD then took the USDINR below Rs. 83 but it has been unable to, decisively, remain below Rs. 83. If the USDINR sustains below Rs. 83, the INR would enter a strengthening phase vis-à-vis the USD in the coming weeks.

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 ongoing 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 move even higher in the coming years.

However, the near term outlook suggests that US 10-year yields could remain in a trading range for several weeks with downsides, possibly, limited around 3.92% and upsides restricted to 4.33%. After testing the 5% level in October 2023, strong buying emerged, and this resulted in a sharp decline in yields to a low of 3.78% a few weeks back. However, yields have bounced higher since then. 3.92% is the 61.8% retracement level of the entire rise in yields from the April 2023 low of 3.25% to the October 2023 high of 5.00%.

After making a high of 114.78 in September 2022, the Dollar Index had a sharp fall to 100.82 by February 2023. In July 2023, the Dollar Index fell to a new low of 99.59 but rallied sharply off the lows. In October 2023, the Dollar Index made an intra week high of 107.35 (50% retracement level of the entire fall from 114.78 to 99.59) but aggressive selling pushed the Index lower to 100.62 in December 2023. Since then, the Index is, again, rallying higher and could test 104 / 104.81 level in the coming weeks.

The Indian 10-year benchmark yield (7.18% GS 2033) witnessed, over several weeks, strong demand around the key 7.36% level. Ultimately, all the selling was absorbed, and yields headed lower below the critical 20 week Wilders moving average (currently at 7.21%). Any immediate rise in yields is likely to be capped in the 7.07% - 7.11% zone. In the coming weeks, a test of the May 2023 low of 6.94% is likely.

KEY LEVELS TO WATCH:

Indian Benchmark Yield (7.18% GS 2033)

DEMAND LEVELS: 7.07% - 7.11%, 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: \$75, \$73, \$70

SUPPLY LEVELS: \$85, \$94

USDINR

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

DEMAND LEVELS for INR: Rs. 83.30, Rs. 84.54, Rs.85.74