

WEEKLY ROUND UP (12th 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)

- **Monetary Policy Statement**, 2023-24 Resolution of the Monetary Policy Committee (MPC) February 6 to 8, 2024 <http://tinyurl.com/2vjm7aec>
- **RBI Governor's Statement** on 08th February 2024 <http://tinyurl.com/232sybrv>
- **Direct Tax Collections** upto 10th February 2024 is estimated at Rs. 18.38 lakh crore, **17.30% YoY** growth and 80.23% of total Revised Estimates of Direct Taxes for FY24 <http://tinyurl.com/4ers2ts6>
- The Board of the **Reserve Bank of Australia** decided to keep **unchanged its cash rate target** at 4.35% <http://tinyurl.com/99mwcyn>
- On Wednesday, 07th February 2024, the US EIA released its weekly crude oil inventory data for the **week ended 02nd February 2024**. Inventory **went up by 5.52 million barrels**. The current crude oil inventory is **427.432 million barrels** <https://tinyurl.com/y3efgzno>

RBI Watch

- RBI's Statement on Developmental and Regulatory Policies <http://tinyurl.com/9jxrtbrv>
- Result of the 4-day Variable Rate Reverse Repo auction (VRRR) for Rs. 50000 crore held on 05th February 2024 <http://tinyurl.com/tacz8uw7>
- Result of the Overnight Variable Rate Reverse Repo (VRRR) auction for Rs. 75000 crore held on 06th February 2024 <http://tinyurl.com/mr4c7k34>
- Result of the Second Overnight Variable Rate Reverse Repo auction (VRRR) for Rs. 50000 crore held on 06th February 2024 <http://tinyurl.com/3rkpnhdu>
- Result of RBI's sale auction for Rs. 26710 crore of State Government Securities (14 states) held on Tuesday, 06th February 2024 <http://tinyurl.com/2cedv8su>
- Result of the Overnight Variable Rate Reverse Repo (VRRR) auction for Rs. 50000 crore held on 07th February 2024 <http://tinyurl.com/4zc7p2by>
- Result of the Second Overnight Variable Rate Reverse Repo (VRRR) auction for Rs. 50000 crore held on 07th February 2024 <http://tinyurl.com/y564mn64>
- Result of Treasury Bill auction for Rs. 27000 crore held on Wednesday, 07th February 2024 <http://tinyurl.com/yrak5u69>
- Result of the 14-day Variable Rate Repo (VRR) auction for Rs. 175000 crore held on 09th February 2024 <http://tinyurl.com/4sk3td3y>
- Result of the 3-day Variable Rate Repo (VRR) auction for Rs. 40000 crore held on 09th February 2024 <http://tinyurl.com/35auupsa>
- Result of RBI's sale auction of Rs. 33000 crore, for three Government of India securities, held on Friday, 09th February 2024 <http://tinyurl.com/625auatb>
- Upcoming RBI's sale auction for Rs. 17500 crore of State Government Securities (9 states) to be held on Tuesday, 13th February 2024 <http://tinyurl.com/55u8pk77>

Upcoming developments this week

- On Monday, 12th February 2024 (05.30 PM IST), India's Consumer Price Index (CPI) data for January 2024 is scheduled to be released (consensus estimate 5.09% YoY change)
- On Monday, 12th February 2024 (05.30 PM IST), India's Index of Industrial Production (IIP) data for December 2023 is scheduled to be released (consensus estimate 2.40% YoY change)
- On Monday, 14th February 2024 (12.00 PM IST), India's Wholesale Price Index (WPI) data for January 2024 is scheduled to be released (consensus estimate 0.53% YoY change)

- On Tuesday, 13th February 2024 (07.00 PM IST), US Inflation Rate data for January 2024 is scheduled to be released (consensus estimate 0.2% MoM change and 3% YoY change). January 2024 US Core Inflation is estimated to have had a 0.3% MoM change and a 3.8% YoY change.
- On Thursday, 15th February 2024 (05.20 AM IST), preliminary estimates of Japan's Q4 GDP growth rate would be released (consensus estimate 0.3% QoQ change)
- On Thursday, 15th February 2024 (07.00 PM IST), US Retail Sales data for January 2024 is expected to be announced (consensus estimate -0.1% MoM change)

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 09 th February 2024	Previous Week's Range
# Indian 10-year GOI yield	7.1135%	7.0411% - 7.1183%
US 10-year yield	4.177%	4.049% - 4.195%
Brent Crude futures price	\$82.19	\$76.62 - \$82.45
USDINR Currency futures	Rs. 83.0338	Rs. 82.893 – Rs. 83.095

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	\$622.469 bn (02nd Feb 2024)	

Non SLR Watch (for week ended 09th February 2024)

Segment	Annualised YTM (in %)	Spread over G-Sec (basis pts)
AAA PSU 10 Year	7.56 – 7.63	29 – 34
AAA PSU 5 Year	7.42 – 7.64	27 – 46
AAA NBFC 10 year	7.68 – 7.87	48 – 65

TECHNICAL OUTLOOK ON THE INDIAN 10 YEAR GOI (Weekly Chart) 09/02/2024 (7.11%)



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, 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, currently, placed below the 20 week Wilders moving average (current value is 7.20%). The weekly MACD is placed in negative territory. The 7.11% - 7.12% zone is expected to 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 multi-week strengthening phase vis-à-vis the USD.

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 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 immediate downsides limited to around 3.92% (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%) 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.

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 but the rise could be capped around 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 7.20%). Any immediate rise in yields is likely to be capped in the 7.11% - 7.12% 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: 7.11 – 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: \$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