

## **WEEKLY ROUND UP (19<sup>th</sup> 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)

- **India's Consumer Price Index (CPI)** for January 2024 was **up 5.1% YoY** and was down 0.11% MoM <http://tinyurl.com/5t3jccd2>
- **India's Index of Industrial Production (IIP)** for December 2023 was **up 3.8% YoY**. Mining, Manufacturing and Electricity Sectors were up 5.1%, 3.9% and 1.2% respectively on a YoY basis <http://tinyurl.com/5n74dcma>
- **India's Wholesale Price Index (WPI)** for January 2024 was **up 0.27% YoY** and was down 0.33% MoM <http://tinyurl.com/4wybmhat>
- **For January 2024, India's Merchandise Trade Balance was \$-17.49 bn** (Merchandise Exports \$36.92 bn and Merchandise Imports \$54.41 bn) and Services Trade Balance is estimated to be \$16.75 bn (Services Exports \$32.80 bn and Services Imports \$16.05 bn). **Overall Trade Balance (Merchandise + Services) was \$-0.74 bn** <http://tinyurl.com/yc3rwryk>
- **US Inflation Rate** for January 2024 was **up 0.3% MoM** and was **up 3.1% YoY**. January 2024 US Core Inflation was up 0.4% MoM and was up 3.9% YoY <http://tinyurl.com/2apdhbu5>
- Preliminary estimates of **Japan's Q4 GDP** growth rate showed a **-0.1% QoQ change** (consensus estimate was for a 0.3% QoQ change)
- **US Retail Sales** for January 2024 was **down 0.8% MoM** (consensus estimate was for a -0.1% MoM change)
- On Wednesday, 14<sup>th</sup> February 2024, the US EIA released its weekly crude oil inventory data for the **week ended 09<sup>th</sup> February 2024**. Inventory **went up by 12.018 million barrels**. The current crude oil inventory is **439.450 million barrels** <https://tinyurl.com/y3efgzno>

### **RBI Watch**

- Result of the 4-day Variable Rate Repo auction (VRR) for Rs. 25000 crore held on 12<sup>th</sup> February 2024 <http://tinyurl.com/yfx4we9d>
- Result of the second 4-day Variable Rate Repo auction (VRR) for Rs. 25000 crore held on 12<sup>th</sup> February 2024 <http://tinyurl.com/5a697zjc>
- Result of RBI's sale auction for Rs. 18500 crore of State Government Securities (9 states) held on Tuesday, 13<sup>th</sup> February 2024 <http://tinyurl.com/44r797at>
- Result of the 2-day Variable Rate Repo (VRR) auction for Rs. 25000 crore held on 14<sup>th</sup> February 2024 <http://tinyurl.com/3pt6d2m9>
- Result of Treasury Bill auction for Rs. 27000 crore held on Wednesday, 14<sup>th</sup> February 2024 <http://tinyurl.com/4m56eywj>
- Result of the 7-day Variable Rate Repo (VRR) auction for Rs. 75000 crore held on 16<sup>th</sup> February 2024 <http://tinyurl.com/4w94z8cp>
- Result of RBI's sale auction of Rs. 30000 crore, for three Government of India securities, held on Friday, 16<sup>th</sup> February 2024 <http://tinyurl.com/ef8r92d2>
- Upcoming RBI's sale auction for Rs. 30200 crore of State Government Securities (13 states) to be held on Tuesday, 20<sup>th</sup> February 2024 <http://tinyurl.com/2rmymjsw>

### **Upcoming developments this week**

- On Thursday, 22<sup>nd</sup> February 2024 (12.30 AM IST), Minutes of the US FOMC's January 2024 meeting is scheduled to be released.

**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 16 <sup>th</sup> February 2024 | Previous Week's Range   |
|----------------------------|---|-------------------------|
| # Indian 10-year GOI yield | 7.0994%   | 7.0727% - 7.1425%       |
| US 10-year yield           | 4.281%  | 4.146% - 4.332%         |
| Brent Crude futures price  | \$83.47   | \$80.72 - \$83.66       |
| USDINR Currency futures    | Rs. 83.0150   | Rs. 82.951 – Rs. 83.121 |

**# 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                         | <b>3.84% YoY (December 2023)</b>                              |   |
| Inflation numbers (CPI)     | <b>5.10% YoY (January 2024)</b>                               | 5.4% for FY24 – RBI estimate                    |
| Wholesale Price Index (WPI) | <b>0.27% YoY (January 2024)</b>                               |   |
| 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   | <b>\$617.23 bn (09<sup>th</sup> Feb 2024)</b>                 |   |

**Non SLR Watch (for week ended 16<sup>th</sup> February 2024)**

| Segment          | Annualised YTM (in %) | Spread over G-Sec (basis pts) |
|------------------|-----------------------|-------------------------------|
| AAA PSU 10 Year  | 7.55 – 7.73           | 33 – 50                       |
| AAA PSU 5 Year   | 7.42 – 7.63           | 23 – 46                       |
| AAA NBFC 10 year | 7.67 – 7.86           | 43 – 65                       |

**TECHNICAL OUTLOOK ON THE INDIAN 10 YEAR GOI (Weekly Chart) 16/02/2024 (7.10%)**



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, 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 or would stabilise around current elevated levels.

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 (last week's high was 104.98).

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**