

WEEKLY ROUND UP (01st January 2024)

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

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

- Government of India's Accounts at the end of November 2023 showed a **fiscal deficit of Rs. 906584 crore** (50.7% of FY24 estimated fiscal deficit figure of Rs. 1786816 crore). Total Receipts is Rs. 1745583 crore and Total Expenditure is Rs. 2652167 crore <http://tinyurl.com/544vuu8n>
- India's **Current Account Balance for Q2 FY24 showed a deficit of \$8.3 bn** (1% of GDP). This is lower than the deficit of \$9.2 bn in Q1 FY24 <http://tinyurl.com/2p9fce9x>
- **Index of Eight Core Industries increased by 7.8%** (provisional) in November 2023 on a YoY basis <http://tinyurl.com/35jjuvbh>
- On Thursday, 28th December 2023, the US EIA released its weekly crude oil inventory data for the **week ended 22nd December 2023**. Inventory **went down up by 7.114 million barrels**. The current crude oil inventory is **436.568 million barrels** <https://tinyurl.com/y3efgzno>

RBI Watch

- RBI's report on Trend and Progress of Banking in India 2022-23 <http://tinyurl.com/2wc5fvap>
- RBI released the Draft Directions on Bond Forwards <http://tinyurl.com/ye23cs36>
- Calendar for Auction of Government of India Treasury Bills (in Q4 FY24) indicates that a total of Rs. 393000 crore (Rs. 116000 crore via 91-day T-Bill, Rs. 160000 crore via 182-day T-Bill and Rs. 117000 crore via 364-day T-Bill) is to be borrowed <http://tinyurl.com/n6t2hjwx>
- Indicative Calendar of Market Borrowings by State Governments / Union Territories for the January to March 2024 quarter was released <http://tinyurl.com/4dzd7xp8>
- RBI's press release on Reversal of Marginal Standing Facility (MSF) and Standing Deposit Facility (SDF) during weekends / holidays <http://tinyurl.com/25ed735z>
- Result of RBI's sale auction for Rs. 20759 crore of State Government Securities (12 states) held on Tuesday, 26th December 2023 <http://tinyurl.com/2r5c2fxt>
- Result of the 2-day Variable Rate Repo auction for Rs. 50000 crore held on 27th December 2023 <http://tinyurl.com/2spksmfh>
- Result of Treasury Bill auction for Rs. 24000 crore held on Wednesday, 27th December 2023 <http://tinyurl.com/4actxa32>
- Result of the 7-day Variable Rate Repo auction for Rs. 125000 crore held on 29th December 2023 <http://tinyurl.com/chym666w>
- Result of RBI's sale auction of Rs. 33000 crore, for three Government of India securities, held on Friday, 29th December 2023 <http://tinyurl.com/mu5c2t35>
- Upcoming RBI's sale auction for Rs. 16000 crore of State Government Securities (6 states) to be held on Tuesday, 02nd January 2024 <http://tinyurl.com/yw7njke5>

Upcoming developments this week

- On Thursday, 04th January 2024 (12.30 AM IST), US FOMC Minutes are scheduled to be released.
- On Friday, 05th January 2024 (03.30 PM IST), Euro Area December 2023 inflation rate data is scheduled to be released (consensus estimate 3% YoY change)
- On Friday, 05th January 2024 (07.00 PM IST), US Non-Farm Payrolls data for December 2023 is scheduled to be released (consensus estimate 163k 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 29 th December 2023	Previous Week's Range
# Indian 10-year GOI yield	7.1756%	7.1458% - 7.1971%
US 10-year yield	3.88%	3.783% - 3.910%
Brent Crude futures price	\$77.04	\$76.73 - \$81.72
USDINR Currency futures	Rs. 83.2088	Rs. 83.105 – Rs. 83.368

7.18% GS 2033

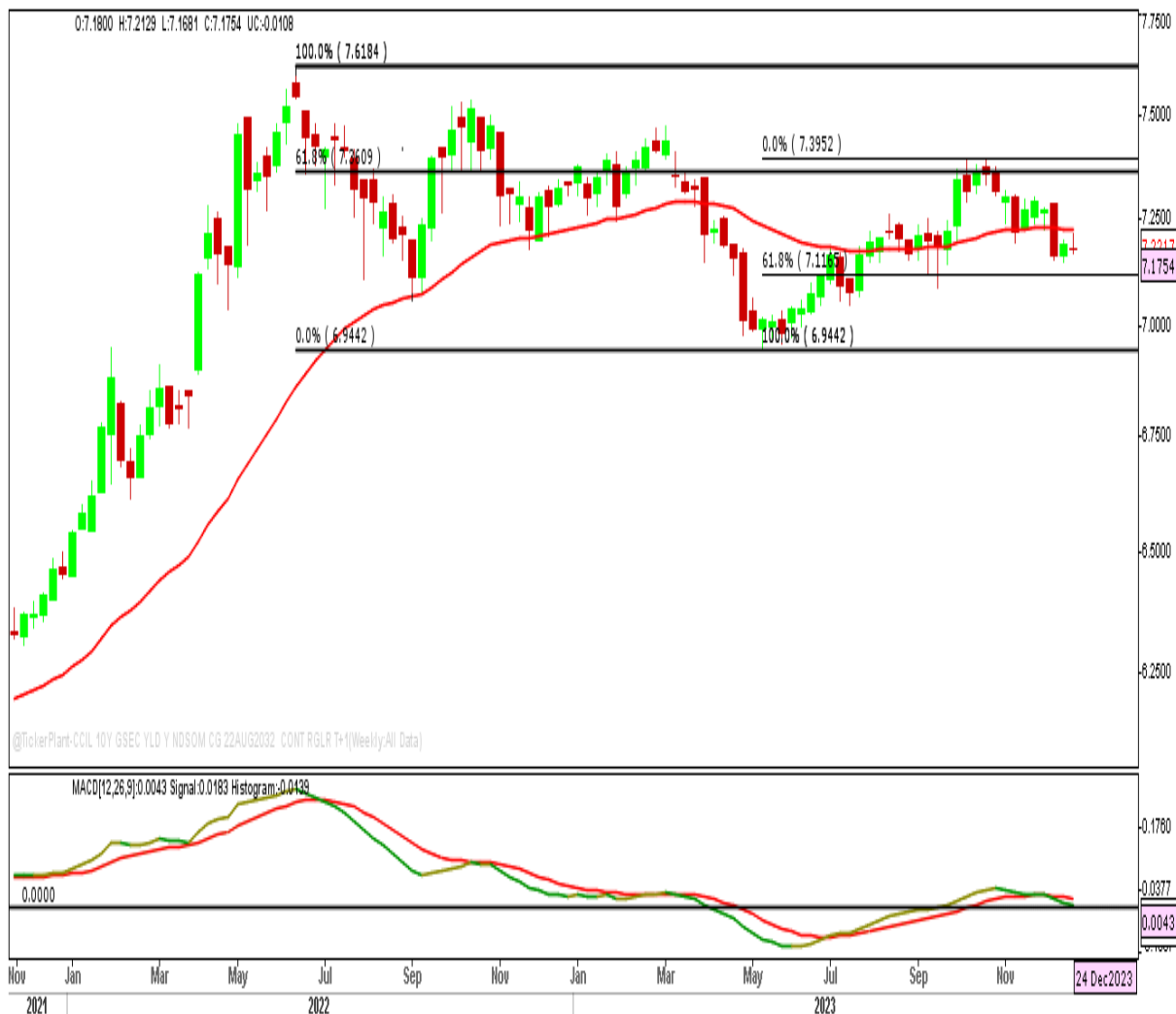
Key Economic Data

Economic Data item	Previous	Estimated / Projected
GDP (annual growth rate)	Q2 FY24 7.6% YoY growth	7.0% Real GDP growth for FY24 (RBI estimate)
IIP	11.7% (October 2023)	
Inflation numbers (CPI)	5.55% (November 2023)	5.4% for FY24 – RBI estimate
Wholesale Price Index (WPI)	0.26% (November 2023)	
GST collections	Rs 1,67,929 crore (in Nov 2023)	
Fiscal Deficit (% of GDP)	Rs. 9,06,584 crore for Apr – Nov FY24 (50.7% of FY24 estimate)	Rs. 17,86,816 crore for FY24 (5.9% of FY24 GDP)
Current account balance	Q2 FY24 Current Account Deficit (CAD) is \$8.3 bn (1% of GDP)	
Foreign Exchange Reserves	\$620.441 bn (22nd Dec 2023)	

Non SLR Watch (for week ended 29th December 2023)

Segment	Annualised YTM (in %)	Spread over G-Sec (basis pts)
AAA PSU 10 Year	7.60 – 7.74	24 – 39
AAA PSU 5 Year	7.70 – 7.80	45 – 57
AAA NBFC 10 year	7.77 – 7.90	42 – 56

TECHNICAL OUTLOOK ON THE INDIAN 10 YEAR GOI (Weekly Chart) 29/12/2023 (7.18%)



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 benchmark yield, again, moved above the 20 week Wilders moving average and the weekly MACD, too, moved into positive territory. Nevertheless, the 7.36% level (the 61.8% retracement level of the entire fall from 7.62% to 6.94%) has capped the rise in yields. Last week, the benchmark yield remained below the key 20 week Wilders moving average (now at 7.22%). With upsides capped at the 20 week Wilders moving average, the benchmark yield could drop to 7.11% - 7.07% 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. After failing to move past \$94, Brent Crude prices sold off in the past few weeks to make a low of \$72 two weeks back. Brent Crude prices could trade between \$75 and \$82 for a few days and between \$72 and \$85 in the coming weeks.

The USDINR futures had repeatedly tested the October 2022 high of Rs. 83.268 and was trading above it for several weeks. However, recently, the USDINR had a sharp fall and is now placed at Rs. 83.21 after testing a low of Rs. 82.91 two weeks back. If the USDINR has a decisive decline below Rs. 83, the INR could strengthen against 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 4.04% / 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% last week. 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%. Thus, immediate downsides for the US 10-year yields appear limited.

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. The Index made a low of 100.62 last week but closed the week at 101.33. Immediate downsides appear limited, and the Dollar Index could head towards 102 – 102.55.

The Indian 10-year benchmark yield (7.18% GS 2033) witnessed, over several weeks, strong demand around the key 7.36% level. Ultimately, the selling was absorbed, and yields went below the 20 week Wilders moving average (now at 7.22%). The 7.22% level is expected to cap any immediate rise in yields and benchmark yields can drop to the 7.11% - 7.07% zone in the coming weeks.

KEY LEVELS TO WATCH:

Indian Benchmark Yield (7.18% GS 2033)

DEMAND LEVELS: 7.22%, 7.30%, 7.36%

SUPPLY LEVELS: 7.11%, 7.07%

US Benchmark Yield

DEMAND LEVELS: 4.04%, 4.33%, 4.54%

SUPPLY LEVELS: 3.92%, 3.63%

Brent Crude

DEMAND LEVELS: \$75, \$73, \$70

SUPPLY LEVELS: \$82, \$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