

WEEKLY ROUND UP (08th 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)

- First Advance Estimates of National Income 2023-24 show that the **Real GDP** at Constant (2011-12) prices would **grow at 7.3% in 2023-24** <http://tinyurl.com/3mexxfhm>
- **Gross GST revenue** in December 2023 is **Rs. 164882 crore (10.3% YoY growth)**. For the Apr – Dec FY24 period, the gross GST collection is Rs. 14.97 lakh crore (12% YoY growth) <http://tinyurl.com/2mrmksfm>
- **Minutes of the US FOMC meeting** held between 12th & 13th of December 2023 <http://tinyurl.com/bdr3bjtf>
- **Euro Area** December 2023 **inflation rate rose 2.9%** on a YoY basis <http://tinyurl.com/7kvea96a>
- **US Non-Farm Payrolls** for December 2023 **had a 216k change**, higher than the consensus estimate of a 163k change.
- On Thursday, 04th January 2024, the US EIA released its weekly crude oil inventory data for the **week ended 29th December 2023**. Inventory **went down up by 5.503 million barrels**. The current crude oil inventory is **431.065 million barrels** <https://tinyurl.com/y3efgzno>

RBI Watch

- Result of RBI's sale auction for Rs. 16000 crore of State Government Securities (6 states) held on Tuesday, 02nd January 2024 <http://tinyurl.com/yw24v7vn>
- Result of Treasury Bill auction for Rs. 27000 crore held on Wednesday, 03rd January 2024 <http://tinyurl.com/4ermrtdd>
- Result of the 7-day Variable Rate Repo auction for Rs. 100000 crore held on 05th January 2024 <http://tinyurl.com/4fndw6ex>
- Result of RBI's sale auction of Rs. 34000 crore, for three Government of India securities, held on Friday, 05th January 2024 <http://tinyurl.com/2pexh2ez>
- Upcoming RBI's sale auction for Rs. 19330 crore of State Government Securities (9 states) to be held on Tuesday, 09th January 2024 <http://tinyurl.com/4v3ffyrv>

Upcoming developments this week

- On Friday, 12th January 2024 (05.30 PM IST), India's Consumer Price Index (CPI) Inflation Rate data for December 2023 is scheduled to be released.
- On Friday, 12th January 2024 (05.30 PM IST), India's Index of Industrial Production (IIP) data for November 2023 is scheduled to be released.
- On Thursday, 11th January 2024 (07.00 PM IST), US Inflation Rate data for December 2023 is scheduled to be released. Consensus estimate is that Inflation Rate had a 3.2% YoY change and a 0.2% MoM change. Core Inflation is estimated to have a 3.8% YoY change and a 0.2% 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 05 th January 2024	Previous Week's Range
# Indian 10-year GOI yield	7.2349%	7.1813% - 7.2389%
US 10-year yield	4.051%	3.866% - 4.103%
Brent Crude futures price	\$78.76	\$74.79 - \$79.41
USDINR Currency futures	Rs. 83.1625	Rs. 83.067 – Rs. 83.359

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	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 1,64,882 crore (in Dec 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	\$623.200 bn (29th Dec 2023)	

Non SLR Watch (for week ended 05th January 2024)

Segment	Annualised YTM (in %)	Spread over G-Sec (basis pts)
AAA PSU 10 Year	7.65 – 7.74	31 – 35
AAA PSU 5 Year	7.62 – 7.71	35 – 48
AAA NBFC 10 year	7.81 – 7.87	47 – 52

TECHNICAL OUTLOOK ON THE INDIAN 10 YEAR GOI (Weekly Chart) 05/01/2024 (7.23%)



The Indian 10-year benchmark yield recorded a peak of 7.62% in June 2022. Post the peak, the benchmark yield drifted 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 moved back 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 moved below the 20 week Wilders moving average a few weeks back but is, now, placed marginally above the key 20 week Wilders moving average (current value is 7.22%). The weekly MACD continues to remain in positive territory. This is a cause for concern. If the aforesaid average does not cap the immediate rise in yields, the benchmark yield may inch upwards towards 7.26% - 7.28%. If the benchmark yield has a sharp fall below the 20 week Wilders moving average, it 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. 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. 83.16 after testing a low of Rs. 82.91 a few 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% two weeks back. 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 is now placed near the hurdle of 102.55 which may cap any immediate rise. However, if it sustains above 102.55, the Index may head towards the 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, the selling was absorbed, and yields headed lower. If the 20 week Wilders moving average (currently at 7.22%) does not cap the immediate rise in yields, the benchmark yield could inch upwards towards 7.26% - 7.28%.

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