

WEEKLY ROUND UP (23rd 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)

- **India's Wholesale Price Index (WPI) Inflation Rate** for December 2023 had a **0.73% YoY change** (-0.85% MoM change) <http://tinyurl.com/2wm2e79x>
- **India's Merchandise Trade Deficit** for December 2023 is estimated to be **\$19.8 bn**. Merchandise exports was \$38.45 bn whereas Merchandise Imports was \$58.25 bn. The Services Trade Surplus is estimated to be \$14.63 bn (Services Exports of \$27.88 bn and Services Imports of \$13.25 bn). Thus, the overall Trade Deficit (Merchandise + Exports) for December 2023 is estimated to be \$5.17 bn <http://tinyurl.com/2yjvn9y9>
- **US Retail Sales** data for December 2023 was up **0.6% MoM**.
- **China's Q4 GDP** is estimated to have **grown by 5.2% YoY**.
- **Japan's Inflation Rate** for December 2023 was up **2.6% YoY**.
- On Thursday, 18th January 2024, the US EIA released its weekly crude oil inventory data for the **week ended 12th January 2024**. Inventory **went down by 2.492 million barrels**. The current crude oil inventory is **429.911 million barrels** <https://tinyurl.com/y3efgzno>

RBI Watch

- RBI Governor's speech at Davos <http://tinyurl.com/y78bxvc4>
- RBI's Monthly Bulletin for January 2024 <http://tinyurl.com/ypmas85h>
- Result of Conversion / Switch Auction of Government of India securities for Rs. 18000 crore held on Monday, 15th January 2024 <http://tinyurl.com/mrya64br>
- Result of RBI's sale auction for Rs. 19200 crore of State Government Securities (9 states) held on Tuesday, 16th January 2024 <http://tinyurl.com/8mas6tn4>
- Result of Treasury Bill auction for Rs. 27000 crore held on Wednesday, 17th January 2024 <http://tinyurl.com/ycyhheu3>
- Result of the 3-day Variable Rate Repo auction for Rs. 50000 crore held on 19th January 2024 <http://tinyurl.com/3k6rx9ae>
- Result of RBI's sale auction of Rs. 35000 crore, for four Government of India securities, held on Friday, 19th January 2024 <http://tinyurl.com/27vja5pd>
- Upcoming RBI's sale auction for Rs. 24280 crore of State Government Securities (13 states) to be held on Tuesday, 23rd January 2024 <http://tinyurl.com/ycxm8fcb>

Upcoming developments this week

- On Tuesday, 23rd January 2024 (08.30 AM IST), Bank of Japan's interest rate decision is expected to be announced (consensus opinion is that there would be no change).
- On Thursday, 25th January 2024 (06.45 PM IST), the European Central Bank (ECB) is expected to announce its interest rate decision (consensus opinion no change).
- On Thursday, 25th January 2024 (07.00 PM IST), US Durable Goods Orders for December 2023 is expected to be announced (consensus estimate 1% MoM change).
- On Thursday, 25th January 2024 (07.00 PM IST), the first advance estimate of US Q4 GDP growth is expected to be announced (consensus estimate 2% QoQ change).
- On Friday, 26th January 2024 (07.00 PM IST), US Personal Income data for December 2023 is expected to be announced (consensus estimate 0.3% MoM change).
- On Friday, 26th January 2024 (07.00 PM IST), US Personal Spending data for December 2023 is expected to be announced (consensus estimate 0.4% 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 19 th January 2024	Previous Week's Range
# Indian 10-year GOI yield	7.1837%	7.1321% - 7.1958%
US 10-year yield	4.13%	3.949% - 4.198%
Brent Crude futures price	\$78.56	\$76.50 - \$79.73
USDINR Currency futures	Rs. 83.065	Rs. 82.775 – Rs. 83.217

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 1,64,882 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	\$618.937 bn (12th Jan 2024)	

Non SLR Watch (for week ended 19th January 2024)

Segment	Annualised YTM (in %)	Spread over G-Sec (basis pts)
AAA PSU 10 Year	7.63 – 7.70	29 – 41
AAA PSU 5 Year	7.56 – 7.69	38 – 53
AAA NBFC 10 year	7.80 – 7.93	50 – 61

TECHNICAL OUTLOOK ON THE INDIAN 10 YEAR GOI (Weekly Chart) 19/01/2024 (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 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 is, again, placed below the 20 week Wilders moving average (current value is 7.22%). The weekly MACD is placed, marginally, in negative territory. If the aforesaid moving average caps the immediate rise in yields at 7.22%, the benchmark yield may drop to the 7.11% - 7.07% zone 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 continue to trade between \$75 and \$82 for some more 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. Weakness in the USD took the USDINR below Rs. 83. However, the USDINR is, again, placed above Rs. 83 at the close of last week. 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% few 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%.

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. However, the Index has, last week, moved past the immediate hurdle of 102.55 and appears headed 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%) caps the immediate rise in yields, the benchmark yield could gradually drop towards 7.11% - 7.07%.

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: 4.33%, 4.54%

SUPPLY LEVELS: 4.04%, 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