

WEEKLY ROUND UP (11th March 2024)

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

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

- **Fed Chair Powell's testimony** to Committees in the House of Representatives & Senate on 06th and 07th of March 2024 respectively <https://tinyurl.com/3srx9d94>
- **US Non-Farm Payrolls** for February 2024 showed a **275k change** (consensus estimate was for a 200k change).
- **US Unemployment Rate** for February 2024 came in at **3.9%** (consensus estimate was 3.7%).
- As expected, **European Central Bank (ECB)** kept its Interest Rate **unchanged at 4.5%** <https://tinyurl.com/32msyftb>
- **China's Inflation Rate** for February 2024 had a **0.7% YoY change** (consensus estimate was 0.3%).
- On Wednesday, 06th March 2024, the US EIA released its weekly crude oil inventory data for the **week ended 01st March 2024**. Inventory **went up by 1.367 million barrels**. The current crude oil inventory is **448.53 million barrels** <https://tinyurl.com/y3efgzno>

RBI Watch

- Result of the 3-day Variable Rate Reverse Repo auction (VRRR) for Rs. 75000 crore held on 04th March 2024 <https://tinyurl.com/ycxnxxhk>
- Result of the Overnight Variable Rate Reverse Repo auction (VRRR) for Rs. 75000 crore held on 04th March 2024 <https://tinyurl.com/3855ctw4>
- Result of the Overnight Variable Rate Reverse Repo auction (VRRR) for Rs. 100000 crore held on 05th March 2024 <https://tinyurl.com/2433dw2x>
- Result of the Second Overnight Variable Rate Reverse Repo auction (VRRR) for Rs. 75000 crore held on 05th March 2024 <https://tinyurl.com/mr34eaty>
- Result of RBI's sale auction for Rs. 27981 crore of State Government Securities (11 states) held on Tuesday, 05th March 2024 <https://tinyurl.com/mrxsyybm>
- Result of the Overnight Variable Rate Reverse Repo (VRRR) auction for Rs. 100000 crore held on 06th March 2024 <https://tinyurl.com/sbmycvwx>
- Result of Treasury Bill auction for Rs. 34000 crore held on Wednesday, 06th March 2024 <https://tinyurl.com/yh358sfh>
- Result of the 15-day Variable Rate Repo (VRR) auction for Rs. 50000 crore held on 07th March 2024 <https://tinyurl.com/3ew72dm6>
- Upcoming RBI's sale auction for Rs. 26544 crore of State Government Securities (12 states) to be held on Tuesday, 12th March 2024 <https://tinyurl.com/bdecw3kt>

Upcoming developments this week

- On Tuesday, 12th March 2024 (05.30 PM IST), India's Consumer Price Index (CPI) data for February 2024 is scheduled to be released (consensus estimate 5.02% YoY change).
- On Tuesday, 12th March 2024 (05.30 PM IST), India's Index of Industrial Production (IIP) data for January 2024 is scheduled to be released (consensus estimate 4.1% YoY change).
- On Tuesday, 12th March 2024 (06.00 PM IST), US Inflation Rate data for February 2024 is scheduled to be released (consensus estimate 3.1% YoY change / 0.4% MoM change, Core Inflation Rate is estimated to have a 3.7% YoY change / 0.3% MoM change).

- On Thursday, 14th March 2024 (12.00 PM IST), India's Wholesale Price Index (WPI) data for February 2024 is scheduled to be released (consensus estimate 0.25% YoY change).
- On Thursday, 14th March 2024 (06.00 PM IST), US Retail Sales data for February 2024 is scheduled to be released (consensus estimate 0.7% 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 08 th March 2024	Previous Week's Range
# Indian 10-year GOI yield	7.0306%	7.0250% - 7.0629%
US 10-year yield	4.077%	4.038% - 4.235%
Brent Crude futures price	\$82.08	\$81.71 - \$84.08
USDINR Currency futures	Rs. 82.7875	Rs. 82.66 – Rs. 82.938

7.18% GS 2033

Key Economic Data

Economic Data item	Previous	Estimated / Projected
GDP (annual growth rate)	Q3 FY24 8.4% YoY growth	7.6% Real GDP growth for FY24 (NSO estimate)
IIP	3.84% YoY (December 2023)	
Inflation numbers (CPI)	5.10% YoY (January 2024)	5.4% for FY24 – RBI estimate
Wholesale Price Index (WPI)	0.27% YoY (January 2024)	
GST collections	Rs 1,68,337 crore (in Feb 2024)	
Fiscal Deficit (% of GDP)	Rs. 11,02,602 crore for Apr – Jan FY24 (63.6% 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	\$625.626 bn (01st Mar 2024)	

Non SLR Watch (for week ended 08th March 2024)

Segment	Annualised YTM (in %)	Spread over G-Sec (basis pts)
AAA PSU 10 Year	7.43 – 7.57	26 – 40
AAA PSU 5 Year	7.44 – 7.60	24 – 41
AAA NBFC 10 year	7.69 – 7.79	52 – 61

TECHNICAL OUTLOOK ON THE INDIAN 10 YEAR GOI (Weekly Chart) 07/03/2024 (7.03%)



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, now, placed below the 20 week Wilders moving average (current value is 7.18%). The weekly MACD is in negative territory. The 7.11% - 7.12% zone has not been breached in the past several weeks and yields have slipped closer to the January 2024 low of 7.02%. In the immediate term, a tepid rise in yields is possible from current levels. However, in the coming weeks, the benchmark yield is likely to test the May 2023 low of 6.94%.

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, in recent weeks, weakness in the USD has taken the USDINR below Rs. 83. Some selling of the INR is likely around Rs. 82.80 levels. However, if the USDINR is unable to move back above Rs. 83, in the coming weeks / months, we could see the USDINR test lower levels of Rs. 82.35 or even the crucial level of Rs. 81.15.

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 stabilise at elevated levels in the coming months / years.

As projected in our 23rd January 2024 report, the US 10-year yields have remained in a trading range for several weeks with 4.33% capping the rise in yields and downsides limited to 3.92% (the 61.8% retracement level of the rise in yields from the April 2023 low of 3.25% to the October 2023 high of 5.00%). A weekly close below 3.92% is required for yields to fall further.

After making a high of 114.78 in September 2022, the Dollar Index had a sharp fall wherein it tested a low of 100.82 in February 2023 and a new low of 99.59 in July 2023. The Dollar Index then had a sharp rally which ended in October 2023 at 107.35 (50% retracement level of the entire fall from 114.78 to 99.59) but aggressive selling then pushed the Index lower to 100.62 in December 2023. The next rally in the Dollar Index faltered around the key level of 104.81 (made a high of 104.98 a few weeks back). The selling pressure in the Dollar Index has pushed it to a low of 102.36 last week. The 61.8% retracement level of the rise from 100.62 to 104.98 is at 102.29. Hence, in the near term, the Dollar Index could witness some buying at lower levels, but upsides are likely to be capped in the 102.80 – 103.35 zone.

The Indian 10-year benchmark yield (7.18% GS 2033) has been trading below the critical 20 week Wilders moving average (currently at 7.18%) for several weeks. It is now placed near the January 2024 low of 7.02%. Some selling is expected around current levels but the rise in yields may be capped around 7.08%. Subsequently, 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: 7.08%, 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