

## **WEEKLY ROUND UP (18<sup>th</sup> 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)

- **Election Commission of India** announced the schedule for **General Elections – 2024** <https://tinyurl.com/mr35y9na>
- **India's Consumer Price Index (CPI)** for February 2024 had a **5.09% YoY change** (0.16% MoM change) <https://tinyurl.com/33ucempd>
- **India's Index of Industrial Production (IIP)** for January 2024 was **up 3.80% on a YoY basis** (Mining was up 5.88%, Manufacturing was up 3.16% and Electricity was up 5.63%, respectively, on a YoY basis <https://tinyurl.com/4b75u2kr>
- **India's Wholesale Price Index (WPI)** for February 2024 had a **0.20% YoY change** (0.07% MoM change) <https://tinyurl.com/yfrzup3d>
- **India's Merchandise Trade Balance** for February 2024 had a **deficit of \$18.71 bn** (merchandise exports of \$41.40 bn and merchandise imports of \$60.11 bn). Services exports in February 2024 is estimated to be \$32.15 bn whereas Services imports are estimated at \$15.39 bn thereby resulting in a Services trade surplus of \$16.76 bn. The Overall Trade Deficit (Merchandise + Services) for February 2024 is estimated at \$1.95 bn (overall exports of \$73.55 bn and overall imports of \$75.50 bn) <https://tinyurl.com/3xekkrft>
- **US Inflation Rate** for February 2024 was **up 3.2% YoY and 0.4% MoM**. Core Inflation Rate was up 3.8% on a YoY basis / was up 0.4% on a MoM basis) <https://tinyurl.com/yrjd7kx>
- **US Retail Sales** for February 2024 had a **0.6% MoM change**.
- On Wednesday, 13<sup>th</sup> March 2024, the US EIA released its weekly crude oil inventory data for the **week ended 08<sup>th</sup> March 2024**. Inventory **went down by 1.536 million barrels**. The current crude oil inventory is **446.994 million barrels** <https://tinyurl.com/y3efgzno>

### **RBI Watch**

- Result of RBI's sale auction for Rs. 35544 crore of State Government Securities (14 states) held on Tuesday, 12<sup>th</sup> March 2024 <https://tinyurl.com/yck4xt78>
- Result of Treasury Bill auction for Rs. 34000 crore held on Wednesday, 13<sup>th</sup> March 2024 <https://tinyurl.com/mvua49c9>
- Result of the Overnight Variable Rate Reverse Repo (VRRR) auction for Rs. 50000 crore held on 14<sup>th</sup> March 2024 <https://tinyurl.com/yammrtz4>
- Result of the 7-day Variable Rate Repo (VRR) auction for Rs. 75000 crore held on 15<sup>th</sup> March 2024 <https://tinyurl.com/4nw7dvuu>
- Upcoming RBI's sale auction for Rs. 50206 crore of State Government Securities (17 states) to be held on Tuesday, 19<sup>th</sup> March 2024 <https://tinyurl.com/4dy7hdu7>

### **Upcoming developments this week**

- On Tuesday, 19<sup>th</sup> March 2024 (08.30 AM IST), Bank of Japan's interest rate decision is expected to be announced (consensus opinion - BoJ could end negative rates by hiking policy rates to 0.0%).
- On Tuesday, 19<sup>th</sup> March 2024 (09.00 AM IST), Reserve Bank of Australia is expected to announce its interest rate decision (consensus opinion – RBA would keep rates unchanged at 4.35%).
- On Wednesday, 20<sup>th</sup> March 2024 (11.30 PM IST), US Federal Reserve is expected to announce the FOMC's interest rate decision (consensus opinion – rates would remain unchanged at 5.50%).
- On Thursday, 21<sup>st</sup> March 2024 (05.30 PM IST), Bank of England is expected to announce its interest rate decision (consensus opinion – policy rates would remain unchanged at 5.25%).

**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 15 <sup>th</sup> March 2024	Previous Week's Range
# Indian 10-year GOI yield	7.0620%	7.0056% - 7.0644%
US 10-year yield	4.308%	4.052% - 4.322%
Brent Crude futures price	\$85.34	\$81.08 - \$85.69
USDINR Currency futures	Rs. 82.883	Rs. 82.645 – Rs. 82.995

**# 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	<b>3.80% YoY (January 2024)</b>	
Inflation numbers (CPI)	<b>5.09% YoY (February 2024)</b>	5.4% for FY24 – RBI estimate
Wholesale Price Index (WPI)	<b>0.20% YoY (February 2024)</b>	
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	<b>\$636.095 bn (08<sup>th</sup> Mar 2024)</b>	

**Non SLR Watch (for week ended 15<sup>th</sup> March 2024)**

Segment	Annualised YTM (in %)	Spread over G-Sec (basis pts)
AAA PSU 10 Year	7.35 – 7.53	14 – 33
AAA PSU 5 Year	7.40 – 7.58	22 – 40
AAA NBFC 10 year	7.68 – 7.86	50 – 68

**TECHNICAL OUTLOOK ON THE INDIAN 10 YEAR GOI (Weekly Chart) 15/03/2024 (7.06%)**



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 7.17%). The weekly MACD is in negative territory. The 7.11% - 7.12% zone has not been breached in the past several weeks and yields had tested a low of 7.01% last Monday. As expected, yields have risen from the lows since then. In the immediate term, the 7.07% - 7.09% zone is expected to cap the rise in yields. If yields stay below 7.09%, 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 23<sup>rd</sup> 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 whereas a weekly close above 4.33% can trigger a further rise to 4.54%.

From the May 2021 low of 89.54, the Dollar Index embarked on a rise that culminated in September 2022 at 114.78. The Dollar Index then had a sharp fall which resulted in a low of 99.58 in July 2023. The 61.8% Fibonacci retracement level of the rise from 89.54 to 114.78 is 99.18, thereby making the July 2023 of 99.58 a crucial low. The subsequent sharp rally ended in October 2023 at 107.35 and the Dollar Index fell to 100.62 in December 2023. Thus, the Dollar Index is finding strong support in the 100 – 101 zone. The next rally in the Dollar Index faltered in February 2024 close to the key level of 104.81 (made a high of 104.98). Await a decisive move beyond 104.98 or a fall below the March 2024 low of 102.36.

The Indian 10-year benchmark yield (7.18% GS 2033) has been trading below the critical 20 week Wilders moving average (currently at 7.17%) for several weeks. Intra-week, it went below the January 2024 low of 7.02%. Selling emerged around 7.02% and yields have risen since then. The ongoing rise in yields is expected to be capped around 7.08%. If yields stay below 7.08%, 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**