

WEEKLY ROUND UP (06th May 2024)

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

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

- **GST Revenue collection** for April 2024 is the highest ever at **Rs. 210267 crore** <https://tinyurl.com/asza2dxh>
- **EA Q1 GDP Growth Rate** flash figures show a **0.4% YoY change / 0.3% QoQ change** <https://tinyurl.com/mry87wu3>
- **EA Inflation Rate** for April 2024 was **up 2.4% YoY** <https://tinyurl.com/44hycnfa>
- **US FOMC**, as widely expected, kept the target range for the **Fed Funds rate unchanged at 5.25% - 5.50%** <https://tinyurl.com/yckzu57>
- **Transcript** of Fed Chair **Powell's Press Conference** after the FOMC decision <https://tinyurl.com/yc8z6wz4>
- **US Non-Farm Payrolls employment** for April 2024 **increased by 175000** and the US Unemployment Rate for April 2024 was at 3.9% <https://tinyurl.com/yw59ea7x>
- On Wednesday, 01st May 2024, the US EIA released its weekly crude oil inventory data for the **week ended 26th April 2024**. Inventory **went up by 7.265 million barrels**. The current crude oil inventory is **460.890 million barrels** <https://tinyurl.com/y3efgzno>

RBI Watch

- Result of the 4-day Variable Rate Repo (VRR) auction for Rs. 100000 crore held on 29th April 2024 <https://tinyurl.com/5evebbsp>
- Result of RBI's sale auction for Rs. 14700 crore of State Government Securities (7 states) held on Tuesday, 30th April 2024 <https://tinyurl.com/msyt7du5>
- Result of Treasury Bill auction for Rs. 27000 crore held on Thursday, 02nd May 2024 <https://tinyurl.com/3fnk2j9n>
- Result of the 14-day Variable Rate Repo (VRR) auction for Rs. 175000 crore held on 03rd May 2024 <https://tinyurl.com/5scrur3kh>
- Result of RBI's sale auction of Rs. 28000 crore, for three Government of India securities, held on Friday, 03rd May 2024 <https://tinyurl.com/mct7hacx>
- Upcoming RBI's sale auction for Rs. 9900 crore of State Government Securities (6 states) to be held on Tuesday, 07th May 2024 <https://tinyurl.com/hb8s97xp>
- GOI announced a Buyback of securities for Rs. 40000 crore through auction to be held on Thursday, 09th May 2024 <https://tinyurl.com/yb3zaysm>

Upcoming developments this week

- On Tuesday, 07th May 2024 (10.00 AM IST), the Reserve Bank of Australia is set to announce its interest rate decision (consensus opinion - Cash rate would be kept unchanged at 4.35%).
- On Thursday, 09th May 2024 (04.30 PM IST), the Bank of England is scheduled to announce its interest rate decision (consensus opinion – Bank rate would be kept 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 03 rd May 2024	Previous Week's Range
# Indian 10-year GOI yield	7.1149%	7.1124% - 7.1645%
US 10-year yield	4.509%	4.446% - 4.694%
Brent Crude futures price	\$82.83	\$82.81 - \$89.29
USDINR Currency futures	Rs. 83.376	Rs. 83.308 – Rs. 83.537

7.10% GS 2034

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	5.67% YoY (February 2024)	
Inflation numbers (CPI)	4.85% YoY (March 2024)	4.5% for FY25 – RBI estimate
Wholesale Price Index (WPI)	0.53% YoY (March 2024)	
GST collections	Rs 2,10,267 crore (in Apr 2024)	
Fiscal Deficit (% of GDP)	Rs. 15,01,365 crore for Apr – Feb FY24 (86.5% of FY24 estimate)	Rs. 17,34,773 crore for FY24 (5.8% of FY24 GDP)
Current account balance	Q3 FY24 Current Account Deficit (CAD) is \$10.5 bn (1.2% of GDP)	
Foreign Exchange Reserves	\$637.922 bn (26th Apr 2024)	

Non SLR Watch (for week ended 03rd May 2024)

Segment	Annualised YTM (in %)	Spread over G-Sec (basis pts)
AAA PSU 10 Year	7.48 - 7.52	20 - 21
AAA PSU 5 Year	7.59 – 7.74	25 – 43
AAA NBFC 10 year	7.76	48

TECHNICAL OUTLOOK ON THE INDIAN 10 YEAR GOI (Weekly Chart) 03/05/2024 (7.11%)



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 new benchmark yield (7.10% GS 2034) is placed well below the 20 week Wilders moving average (current value is 7.16%) and the weekly MACD continues to remain in negative territory. The new benchmark paper is expected to test 7.09% in the coming week. If it decisively moves below 7.09%, yields may, gradually, decline towards the March 2024 low of 7.01%. On the other hand, if selling keeps the benchmark yield above 7.09%, it could trade between 7.16% and 7.09% for a couple of 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 with a low of \$68 in May 2023 and a slightly higher low of \$72 in December 2023. Post consolidation at the lows, Brent Crude prices are attempting to move higher. Last week, Brent Crude prices breached the near-term support at \$85 and is now approaching the immediate support at \$81. Downsides are limited for Brent crude, and it could consolidate around these levels for a few days.

In recent weeks, the USDINR futures have moved well beyond Rs. 83 and even made a new high for the USD at Rs. 83.73. This has negated the potential weakness in the USD. For weakness in the USD / strength in the INR, a decisive move below Rs. 82.80 is required. The USDINR may again remain in a trading range above Rs. 83.

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.

After trading for several weeks between 3.92%, the 61.8% retracement level of the rise in yields from 3.25% (April 2023 low) to 5.00% (October 2023 high), and 4.33%, the US 10-year yield then moved past 4.33%. After testing a high of 4.69% last week, US 10-year yield has gone below the 4.54% level (erstwhile resistance expected to act as support). So long as the yield remains above 4.33%, the 10-year yield may remain in a trading range below 4.69%. However, a weekly close below 4.33% would push the 10-year yield much lower.

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 ongoing rally in the Dollar Index has not tested the October 2023 high of 107.35 but is facing selling pressure. Await a decisive close above 107.35 or a fall below 104.78.

Last week, the new benchmark paper (7.10% GS 2034) stayed well below the critical 20 week Wilders moving average (currently at 7.16%). If the new benchmark yield closes the week below 7.09%, we could see further downsides in yield. Else, it would remain in a trading range between 7.16% and 7.09% for a couple of weeks.

KEY LEVELS TO WATCH:

Indian Benchmark Yield (7.10% GS 2034)

DEMAND LEVELS: 7.16%, 7.21%, 7.30%, 7.36%

SUPPLY LEVELS: 7.12%, 7.09%, 7.02%, 6.94%

US Benchmark Yield

DEMAND LEVELS: 4.54%, 4.69%, 5.00%

SUPPLY LEVELS: 4.33%, 3.92%, 3.63%

Brent Crude

DEMAND LEVELS: \$81, \$73, \$70

SUPPLY LEVELS: \$85, \$90, \$94, \$102

USDINR

SUPPLY LEVELS for INR: Rs. 83.30, Rs. 82.85, Rs. 82.35, Rs. 81.15

DEMAND LEVELS for INR: Rs. 84.54, Rs.85.74