

Debt Market Insight

5TH DECEMBER 2022



DEBT MARKET INSIGHTS

- Last week (November 28 – December 2, 2022) the 10 year G Sec traded in the yield range of 7.18 to 7.30 with the intra week low of 7.18 and high of 7.30 ; closed the week at the yield of 7.22.
- According to the latest Reserve Bank of India data, credit growth in the system for the fortnight ended November 18, 2022 was 17.20 per cent and deposit growth was 9.60 per cent--a gap of 760 basis points.

- Net Surplus liquidity in the banking system on December 2, 2022 was Rs 172,113 Crs against Rs 741,500 Crs at the start of this FY. (Last week – Nov 25, 2022 + 19,524 Crs)
- Now in the second half of this FY, the credit offtake gathered pace, the banking system liquidity is expected to tighten.
- Rate hike cycle is now near the top –Expect the Terminal Rate at : 6.35 – 6.50%

MPC Meeting – December 5 – 7, 2022 : Likely Scenarios :

- If the Terminal Rate hike tops at – 6.35 – **The least likely possibility**
- Then : Expect the 10 yr G Sec bond yield to trade in the range of 6.85 - 7.25% in the shorter term period of December 2022 to March 2023
- If the Terminal Rate hike tops at – 6.50 – **The most likely possibility**
- Then : Expect the 10 yr G Sec bond yield to trade in the range of 6.95 - 7.40% in the shorter term period of December 2022 to March 2023

- Here we can advise our clientle
- (i) with a medium term horizon of 3 to 5 years to go for 3 to 5 years maturity bonds/debt funds; and
- (ii) those looking for a longer term perspective can start adding long duration Bonds/debt funds in their portfolio going ahead by staggering their investments in 2 to 3 parts, after each MPC policy outcome, so as to capture the average-cost of investing and the upside in yields.

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