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GILTS MARKET UPDATE

SEPTEMBER 12, 2022

(29/08/2022 – 02/09/2022) The week started on a negative note with G Sec yields opening higher due to rise in US-Treasury yields after the hawkish commentary by Fed Powell at the Jackson Hole Symposium. Also the elevated crude oil prices pushed up the domestic yields. Later on the G Sec yields softened as the domestic GDP data for Q1FY23 stood at 13.5%, significantly lower than the market and RBI's expectations indicating that the RBI may not hike the rates aggressively in the upcoming monetary policy decision.

Government Securities - Secondary Market Yields

	Sept 2, 2022	Sept 9, 2022
2 Years	6.69	6.60
5 Years	7.08	6.98
10 Years	7.23	7.17
14 Years	7.40	7.31
29 Years	7.49	7.35

Government Securities - Primary Market Auction Cut Off (Yields & Price)

September 2, 2022				September 9, 2022			
Nomenclature	Notified Amount	Cut Off (Yield)	Cut Off (Price)	Nomenclature	Notified Amount	Cut Off (Yield)	Cut Off (Price)
6.69% GS 2024	4000	6.6883	99.99	7.38% GS 2027	9000	6.9514	101.70
7.10% GS 2029	7000*	7.1632	99.66	GOI FRB 2028	4000	NA	NA
*Devolved on PDs 2534.93 Crs							
7.26% GS 2032	13000	7.2195	100.28	7.54% GS 2036	11000	7.2874	102.15
6.95% GS 2061	9000	7.4973	93.09	New GS 2052	8000	7.36	100

However, at the end of the week, bond yields hardened due to profit booking by market participants. On Friday 2 September 2022, the 10-year benchmark G Sec (6.54% GS 2032) closed at 7.23% compared to the 7.22% the previous week.

(05/09/2022 – 09/09/2022) During the week, bonds largely traded on a bullish note due to the decline in US-Treasury yields and softer crude oil prices. Later in the week crude oil prices edged higher after the OPEC decided to cut the output by 1 lakh barrels per day in October. This lead to the G Sec yields slightly inching up. However, going forward due to demand concerns amid lockdowns in China resulted in global crude oil prices coming off. Also, the inclusion of G Sec in the global bond index kept the market sentiments positive. However, towards the end of the week, bond yields hardened due to a surge in US-Treasury yields and global crude oil prices. The 10Y benchmark G Sec 6.54% GS 2032 closed at 7.17%.

RBI rejected all the bids in the primary auction for GOI FRB 2028 for 4000 Crores held on Friday September 9, 2022.

State Government Securities

SDL - Primary Market Auction Cut off (Range - Yields)

	August 29, 2022	Sept 6, 2022
2 Years		
5 Years		
10 Years	**7.61 - 7.62**	**7.53**
15 Years	**7.71**	**7.58**
20 Years	**7.71**	**7.58**

SDL - Secondary Market Yields (In The Range)

	Sept 2, 2022	Sept 9, 2022
2 Years	**6.81**	**6.67**
5 Years	**7.23**	**7.29**
10 Years	**7.54**	**7.49**
15 Years	**7.62**	**7.51**
20 Years	**7.64**	**7.52**

Tracker

Dates	02-09-2022	09-09-2022
Trackers		
Average Call Rate (%)	**4.43**	**5.15**
Net liquidity injected - Surplus (Rs Crs)	**1,75,414**	**99,933**
Bank Deposit Growth (%)	**8.80**	**9.50**
Bank Credit Growth (%)	**15.30**	**15.50**

CPI (%)	6.71	6.71
Core Inflation (%)	5.79	5.79
WPI Inflation (%)	13.93	13.93
Nifty	17,539	17,833
Sense	58,803	59,793
Re/US$	79.80	79.635
FPI Investments (US$ Bln) (Figures cumulative for Debt & Equity - Current FY)	(-7.126)	(-6.302)
Foreign Exchange Reserves (US$ Bln)	553.105	553.105
Gold/10 gm (Rs)	50,890	51,000
Gold/Oz (US$)	1712	1716.05
Crude Oil - Brent (US$/bbl)	93.02	92.84
2 Yr USA - Treasuries	3.40	3.56
10 Yr USA - Treasuries	3.20	3.32

Gross domestic product for Q1 FY23 noted a growth of 13.5% on a year-on-year basis, aided by a pickup in activity across segments. Also, GDP contracted by 9.6% on a quarter- on-quarter basis and grew by 3.8% from Q1 FY20 levels. This double-digit growth was lower than RBI's projections of 16.2%. The last monetary policy in August had indicated that external sector and inflation will be key – drivers for future policy trajectory.

Globally, Inflation continued to remain elevated across countries. In fact, in Europe and UK, it rose further to 9-10% range driven mainly by natural gas prices. No wonder, despite rising concerns about growth, the Central Bankers across the globe have been aggressively raising rates to tame inflation expectations.

The pressure from prices levels has come down since June on global and domestic cues. Also, household inflation expectations have come down indicating decline in inflation expectations. As a result, the market expectations for terminal rate has toned down to 5.90% - 6% post policy.

With latest GDP data showing loss of momentum, external balances under pressure with high Current Account Deficit raising concerns about imported inflation and hawkish global central bankers, RBI is likely to remain hawkish for the time being. The 10-yr benchmark G Sec is likely to trade within the range of 7.05 to 7.25% with an upward bias.

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