



## DEBT MARKET WATCH

JULY 7, 2012

## Government Security Market: Update

India's 10-year bonds advanced the most in two weeks on optimism demand for the bonds will increase, spurred by more cash in the financial system. Lenders borrowed 115.3 billion rupees (\$2.1 billion) from the central bank's repurchase auction window on July 6, the least since October, according to Reserve Bank of India data.

The finance ministry is scheduled to redeem 140 billion rupees of securities on July 18, according to budget documents. Also the local banks may buy 350 billion rupees of government bonds this month to meet bond-reserve requirements.

The benchmarks yield of 8.15% GOI 2022 fell by 0.02 bps this week to 8.16% level from a week earlier. The cost of one-year interest-rate swaps, or derivative contracts fell to 7.74%.

## Global Debt Market: Update

U.S. Treasury rose for a second day after the U.S. economy added fewer jobs than forecast last month, prompting investors to increase bets the Federal Reserve will resort to a third round of asset purchases.

U.S. 10 year bonds had their best weekly gain in a month after the Labor Department report showed the U.S. is making scant progress toward reducing joblessness. Implied yields on Eurodollar and federal fund futures fell as the below- expectations number of jobs added emboldened traders to wager that the central bank will keep rates locked near zero percent and is likely to embark on more so-called quantitative easing.

## Bond Market Ahead

Market likely to extend rally from Friday's close as Government likely to cut down the borrowing for the financial year 2012-2013 and the rate cut from ECB & China will put pressure on RBI to ease the rates. Monthly IIP & WPI data to be released this week.

## Bond Strategy

Buy 8.97% GOI 2030 around 8.52% to 8.55% levels with a Target of 8.44% and a stop loss of 8.58% levels

Buy 8.28% GOI 2027 around 8.42% to 43% levels with a Target of 8.36% and a stop loss of 8.47% levels

(Source: Bloomberg, GEPL Capital Research)

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## ECONOMIC INDICATOR

PARTICULARS	As on Date		CHANGE
	7-Jul-12	30-Jun-12	
5 Year Indian Govt. Bond(%)	8.07	8.16	0.09
10 Year Indian Govt. Bond(%)	8.16	8.18	0.02
15 Year Indian Govt. Bond(%)	8.41	8.49	0.08
Call Money Market(%)	8.25	7.00	-1.25
Crude Oil (in Dollar/barrel )	84.45	84.96	0.51
US 10 Year Treasury (%)	1.55	1.63	0.08
UK 10 Year Treasury (%)	1.59	1.71	0.12
Rs. vs Dollar	55.46	55.64	0.19
FOREX with RBI (in Dollar/bn )	289.99	288.60	1.39
INFLATION(%)	7.55	7.55	0.00
LAF(REPO @8.00%)(in Rs. Crore, Nos for week ended)	172470.0	447470.0	275000.00
LAF(REVERSE REPO @7.00%)(in Rs. crore)	2490.00	11690.00	-9200.00

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(Source: Bloomberg/www.rbi.org.in)

## GEPL TECHNICAL VIEW

## 10 Year G-Sec Benchmark Chart



## YIELD OUTLOOK

10 Year Yield likely to move in the range of 8.05% to 8.16% levels.

(Source:GEPL Capital Research)

## AUCTION SCHEDULED FOR THE WEEK

Date	Instrument	Nature of Flow	Amount (Cr)
11-Jul-12	91 DTB	Auction	7000.00
11-Jul-12	364 DTB	Auction	5000.00
13-Jul-12	5-9 Years Security	Auction	4000-5000
13-Jul-12	10-14 Years Security	Auction	6000-7000
13-Jul-12	15-19 Years Security	Auction	2000-3000
13-Jul-12	20 Years & Above Security	Auction	2000-3000

(Source: www.rbi.org.in)

## ECONOMIC CALENDER

IIP Data : July 12, 2012  
MONTHLY WPI : July 13, 2012  
RBI CREDIT POLICY : July 31, 2012