



TECHNICAL ANALYSIS REPORT

(as on 13th February, 2021)

BOND MARKET OUTLOOK



INDIA 10-YEAR BOND – TECHNICAL ANALYSIS	
Current Market Price	5.990
Support Level	S1 – 5.747, S2 – 5.260 & S3 – 5.174
Resistance Level	R1 – 6.153, R2 – 6.837 & R3 – 8.231
Trend	Down Trend
Factors Affecting Bond Yield	Bond yield are affected by the following factors. 1. Inflation Rates 2. Interest Rates

TECHNICAL ANALYSIS:

The 10-year bond yield had been consolidating between the range of 6.231% – 5.747% from the last 9 months which means bond yield had been range bound between the range. The bond yield has support at the level of 5.747 if it breaches and sustains below the level of 5.747 then we can see further decline in the bond rates up to the levels of 5.260 and if it sustains below this level then we can see further decline up to the level of 4.195 and sustaining below this level can show

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further downside up to the level of 4.051. Therefore, if the bond rates declines then we can see rise in the bond prices and outperformance by the bond funds.

However on the upside if bond yield crosses and sustains above the level of 6.153 then it can show the level of 6.837 and sustaining above this level can show further upside up to the level of 8.210. Therefore, if the bond rates increases then we can see decline in the bond prices and underperformance by the bond funds.

As per our analysis bond rates will decline in the longer time horizon, however, we can see upside in the shorter time horizon in the bond rates but in the longer run it will decline. Hence, decline in the bond rates means rise in the bond prices leading to outperformance in the bond funds.

ANALYSIS:-

India 10-Year Bond Yield has been in downtrend from 2013 when the bond yield were trading at the level of 9.484 and from there we have seen a significant decline in the bond yield, although the bond yield had shown short term upside in between but the longer horizon trend has been downtrend.

There is an inverse relationship between the price and bond interest rates. When the prices increases the bond rates declines vice versa. The bond are majorly impacted by the 'Inflation Rates' and 'Interest Rates'.

FUNDAMENTAL ANALYSIS OF BOND YIELD PRICES:

IMPACT OF INFLATION RATES ON THE BOND RATES AND PRICES

Inflation rates have an major impact on the bond yields i.e. If inflation rates increases then it leads to decline in the bond rates which leads to increase in bond prices and decline in inflation rates leads to rise in bond rates which leads to decline in bond prices. Inflation rates are majorly impacted by the items which are being imported by the us i.e. crude. Since India is an importer of crude oil, hence, rise the prices of crude oil leads to rise in inflation rates i.e. crude oil prices indirectly impacts the bond rates and prices.

In previous years inflation rates in our country had been high majorly between 6.50% - 8.50% because of the rising crude oil prices. Due to rise in crude prices inflation rates tend to rise which results in decline of bond rates and bond prices rises.



In April 2020, the inflation rates had declined due to COVID-19 pandemic crises which resulted in the lockdown of the entire nation and sharp fall in the crude oil prices had brought the inflation rates down at 5.66% but as the lockdown gradually eased the economic activity started increasing at a higher pace which had again brought the inflation rates at 7.40% which had resulted in decline of the bond rates and rise in the bond prices.

Now the inflation rates are settling down and has now come down at 5.06% as per the current Consumer Price Inflation report generated by the Ministry of Statistics and Implementation department. However, crude oil prices has increased from its lower prices but are still within the control and are not at elevated prices. However, in the shorter time duration inflation rates are not expected to rise much but in the longer time duration inflation rates are bound to rise.

IMPACT OF INTEREST RATES ON THE BOND RATES AND PRICES

Bond prices are inversely impacted by the interest rates i.e. when the interest rates declines then the bond prices rises and vice versa. In the last few years interest rates in India had been high but off late it had been declined significantly. RBI's monetary policy committee in the previous year had reduced the interest rates by 75 basis points to control the liquidity problem in the economy, inflation rates and for the stability and improvement in the banking sectors which had occurred due to COVID-19 pandemic. The decline in the interest rates had led to increase in the bond prices.

However the interest rates in the longer horizon had declined in India and the same is expected in the coming years ahead. The changes in the interest rates are made by the RBI for the above mentioned reasons i.e. controlling liquidity, keeping inflation rates under check and for stabilising the banking sectors.

As per our analysis we are not expecting any further reduction in the interest rates in the shorter time horizon since all the above aspects been considered and under control of the RBI but however, in the longer time horizon we expect the inflation rates to rise, there will be more liquidity in the economy and stability in the banking sectors. Therefore, in the longer time horizon we expect interest rates to decline which will lead to decline in the bond rates and increase in the bond prices leading to outperformance in the bond funds.



NOTE :-

The above analysis on the 10-YEAR BOND YIELD which is based on the market data analysis available till date and the above mentioned analysis can vary with the change in the market data. Therefore, if any change in the market data arises then the same will be updated to you accordingly in our "TECHNICAL ABALYSIS REPORT".

Since, the bonds markets are directly or indirectly affected by various market factors and any changes in any of those factors can also lead to changes in the Equity Market Analysis.

DISCLAIMER:

- This report highlights the possible upcoming view in the Bond Markets.
- The report is prepared on the basis of the market data and technical analysis done for the current period and on the basis of changes in the market data and charts.
- The report is prepared by the Technical Analyst on the basis of the detailed study of the Global markets which includes equity, commodity and currency.
- This report indicates the futures scenario of the markets in coming days ahead.
- Investors are advised to rely on the report till any further updation or changes have been made in **TECHNICAL ANALYSIS REPORT**.
- This report is prepared on the TECHNICAL ANALYSIS basis which is prepared by our technical experts keeping in various aspects of the technical in mind.

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