

## Govt's additional spending plan has knock-on effect on G-Sec market

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### Price on 10-year Government Security declines about 12 paise

The Government's plan to go in for additional spending of ₹3.73 lakh crore had a knock-on effect on the Government Securities market on Friday, with the price on the benchmark 10-year Government Security (G-Sec) declining about 12 paise over the previous close.

The Government on Friday sought approval of the Parliament to authorise gross additional expenditure of ₹3,73,761 crore.

The 10-year G-Sec (maturing in 2031 and carrying a 6.10 per cent coupon rate) declined to Rs 98.08 (against the previous closing price of Rs 98.20), with it yield going up about 2 basis points to 6.3693 per cent (against the previous closing yield of 6.3520 per cent).

Bond prices and yields are inversely correlated and move in opposite directions.

Though the auction of the 10-year G-Sec sailed through, buyers quoted lower price (higher yield), resulting in the paper being bought at a lower price of Rs 98.12 (yield: 6.3636 per cent) against the previous closing price of Rs 98.20 (yield: 6.3520 per cent).

The Government raised ₹13,000 crore via an auction of the above mentioned G-Sec.

“There was a mild impact of the Government’s plan to go in for gross additional expenditure in the G-Sec market. It is not that they will borrow this amount. Otherwise, the yield on the 10-year benchmark would have gone up to 6.50 per cent. The GST collections have been robust,” said Marzban Irani, CIO-Fixed Income, LIC Mutual Fund.

The Government raised Rs 4,000 crore via auction of floating rate bonds maturing in 2028 at a weighted average price/ yield of Rs 99.30/4.5468 per cent. It also mopped up 7,000 crore through the auction of the 2061 G-Sec carrying a 6.95 per cent coupon at a weighted average price/ yield of Rs 100.02/6.9487 per cent.

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