

Last weekly G-Sec auction of FY22 sails through

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New indian 2000 Rs Currency Note | Photo Credit: TRILOKS

Govt may borrow next month if there is a delay in LIC IPO, say experts

The last weekly auction of Government Securities (G-Sec), as per the issuance calendar for FY22, sailed through on Friday amid speculation in the debt market that

the government may hold one or two more G-Sec auctions next month in case there is a delay in the IPO of Life Insurance Corporation of India (LIC).

The government raised ₹23,000 crore by auctioning three G-Secs: Floating Rate Bond 2028 (₹4,000 crore), 6.54 per cent 2032 G-Sec/ GS (₹13,000 crore) and 6.95 per cent GS 2061 (₹6,000 crore).

The Reserve Bank of India (RBI), which is the banker and debt manager to the government, had cancelled the previous two weekly auctions on a review of the government's cash balance position.

“As per the issuance calendar, today's auction is the last one. The last two weekly auctions were cancelled. So, the demand came in today and the auction got fully subscribed,” said Marzban Irani, CIO-Fixed Income, LIC Mutual Fund.

The price of the benchmark 10-year G-Sec (coupon rate: 6.54 per cent) rose about 7 paise to close at ₹98.50 (previous close: 98.425). Yield of this paper edged down by about a basis point to close at 6.7491 per cent (6.7596 per cent).

Price and yield of bonds are inversely correlated and move in opposite directions.

Price of the widely traded G-Sec (coupon rate: 6.10 per cent) jumped about 17 paise to close at ₹95.405 (previous close: 95.2375). Yield of this paper declined about two basis points to close at 6.7687 per cent (6.7935 per cent).

The treasury head of private sector bank said: “If the Russia-Ukraine conflict escalates, the stock market crashes again and for some reason LIC IPO gets delayed, the government could have a shortfall in the run up to March-end 2022. So, the government may have to come again and borrow.”

Rupee gains

Meanwhile, the rupee closed 31 paise stronger as domestic equity markets bounced back after yesterday's steep fall in the backdrop of US stock markets closing in positive territory overnight .

The Indian unit closed at 75.29 to the dollar against the previous close of 75.60.

Amit Pabari, MD, CR Forex Advisors, observed that investors' focus now shifts to assessing the monetary policy impact and the Fed's action on the rising inflation.

He underscored that Russia Ukraine tensions have changed the economic picture for Fed and the pace at which it could raise interest rates.

“This (Fed rate hikes) will certainly add pressure to emerging markets' currencies, including the rupee in the long term. Besides, , the fundamentals are weak for the rupee with higher oil prices and RBI policy divergence,” said Pabari.

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