

G-Sec prices surge on short-covering



Bonds the word on wooden cubes, cubes stand on a reflective surface, in the background is a business diagram. Business and finance concept | Photo Credit: Dzmitry Skazau

Rupee depreciates as dollar index gains strength

Mumbai, April 25

Government security (G-Sec) prices surged on Wednesday, buoyed by short-covering, a thaw in crude oil prices and cash-rich corporates reportedly investing in these papers.

Price of the 10-year benchmark G-Sec/GS (coupon rate: 6.54 per cent) jumped 84 paise to close at ₹96.4925 (previous close: ₹95.6525).

Yield of this paper dropped about 12 basis points to close at 7.0422 per cent (7.1662 per cent). This is the biggest decline since September 2020.

Trading volume in the benchmark paper soared to ₹24,120 crore against the average daily trading volume of ₹3,000-4,000 crore.

Bond prices and yields are inversely co-related and move in opposite directions. One basis point is equivalent to 0.01 per cent.

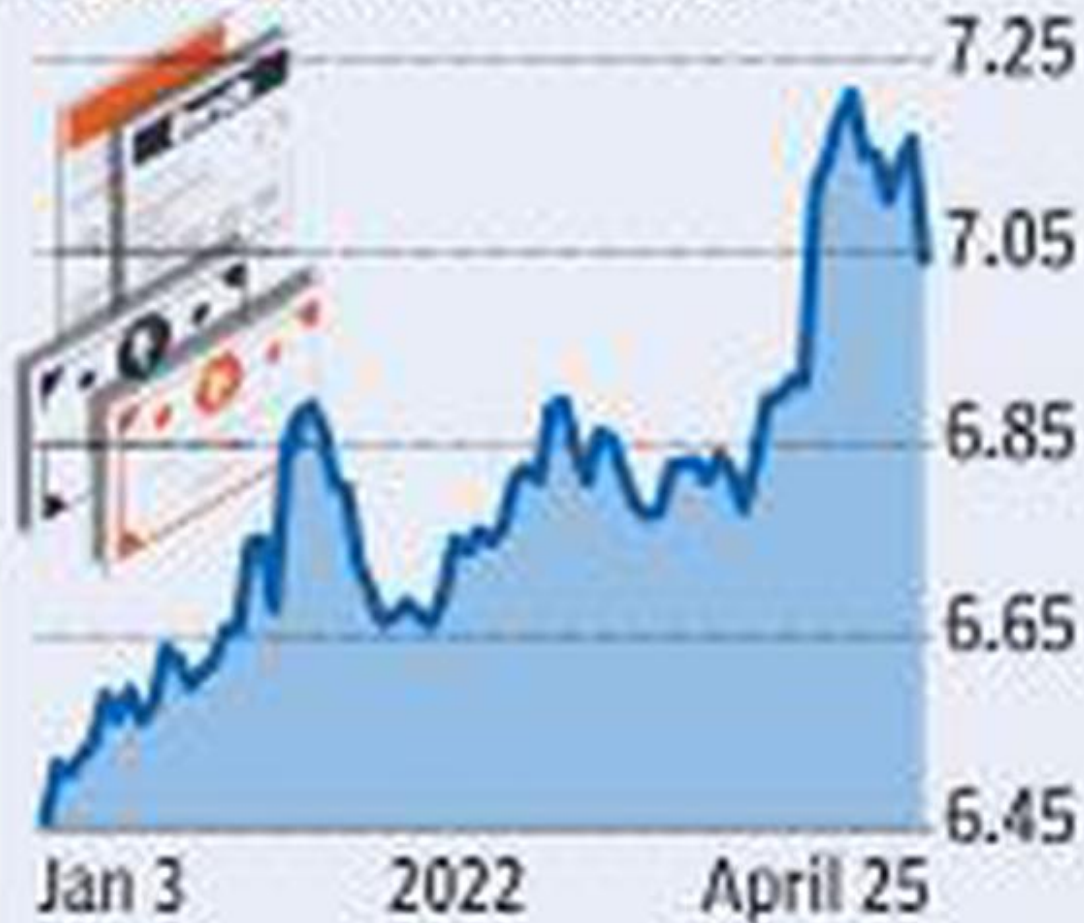
“The undertone of the minutes of the monetary policy committee was neutral. The market thought it might be hawkish. Also, crude oil has declined on expectations of lower demand from China due to new Covid cases.

“This rally might not sustain. Every week there is an auction (of G-Secs aggregating ₹32,000-33,000 crore), so levels will correct,” said Marzban Irani, CIO-Fixed Income, LIC Mutual Fund.

Price of the 13-year GS (coupon rate: 6.67 per cent) soared about 88 paise to close at ₹95.02 (94.1375). Yield of this paper dropped about 11 basis points to close at 7.2497 per cent (7.3568 per cent).

Indian yields retreat

10-year government bond yields (%)



Along with other global sovereign bonds

	10-year yield (%)	1-day chg (bps)
Taiwan	1.203	-6.7
Singapore	2.503	-7.9
Hong Kong	2.576	-12.6

China	2.812	-2.3
South Korea	3.159	-12.7
India	7.041	-12.5
US	2.826	-7.3
Canada	2.802	-6.2
UK	1.894	-6.5
France	1.354	-6.2
Germany	0.885	-8.2
Source: Bloomberg		

“While the absolute near term sentiments may continue to remain positive, we expect the heavy supply burden, absence of explicit RBI support and aggressive Fed policy tightness to keep the bond markets jittery.

“We expect the benchmark 10-year yield (6.54 per cent GS 2032) to trade in the 6.90-7.15 per cent range in the near term. Crude oil prices will be key to watch out for,” said Upasna Bhardwaj, Principal Economist, and Anuragh Balajee, Economist, Kotak Mahindra Bank, in a report.

Rupee falls

Meanwhile, the Rupee depreciated on Monday in the backdrop of the dollar index gaining strength due to US Fed Chairman Jerome Powell’s comment that 50 basis points rate hike will be on the table for the May meeting.

The rupee closed at 76.69 per dollar, down 21 paise over the previous close of 76.48.

IFA Global, in a report, said: “The dollar index surged as market sentiment is fragile as rising inflation will lead to a faster hike interest rate rises.

“Also, FII outflows, China’s covid lockdowns, and a likely EU embargo on the Russian oil imports dented the investors’ sentiment rushing toward a safe haven dollar.”

Equity market

In the equity market, bears kept a grip with the benchmark indices closing over one per cent lower on Monday.

The market witnessed a gap down opening amid weak global cues. The indices extended losses through the day, witnessing broad-based selling.

The BSE Sensex closed at 56,579.89, down 617.26 points or 1.08 per cent. It recorded an intraday high of 56,875.65 and a low of 56,356.87. The Nifty 50 closed at 16,953.95, down 218 points or 1.27 per cent. It recorded an intraday high of 17,054.30 and a low of 16,888.70.

Vinod Nair, Head of Research at Geojit Financial Services said, “Global markets were painted red due to below-par earnings results, adding fresh concerns to elevated inflation, oil prices, war uncertainties and supply issues. Oil prices tumbled on fears of waning demand due to a prolonged Covid lockdown in China. Continued FII selling in India along with other global uncertainties favoured a bear trend in the short-term.”

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COMMENTS