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# Bond yields dip on value purchase at start of the New Year



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By Dharamraj Dhutia

MUMBAI (Reuters) – Indian government bond yields ended lower on Tuesday as investors sought out value purchases at the start of a new quarter as well as the calendar year.

The benchmark 10-year yield ended at 7.3211%, after ending at 7.3398% on Monday — its highest since Nov. 10.

“Rates (yields) are attractive considering we have seen the majority of (interest rate) hikes both domestically and globally,” said Rahul Singh, senior fund manager – fixed income at LIC Mutual Fund Asset Management.

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“Even if one factors in one more rate hike by the MPC (central bank’s Monetary Policy Committee), the upside in yields may be negligible or limited”

The Reserve Bank of India raised the repo rate by 225 basis points to 6.25% in 2022 and most market participants expect the central bank to raise one more time after another hike to 6.50% next month.

participants expect the central bank to go on a long pause after another hike to 0.50% next month.

Long-term players like insurance companies and pension funds have received inflows, which went towards government bond purchases given the lack of any major debt supply at the start of the new year.

Many market participants also feel that the 7.35%-7.37% range for the benchmark bond may not be broken on the upside in immediate future, and hence entering at these levels would be beneficial, traders said.

Meanwhile, the first state debt auction of 2023 went through easily at cutoff yields that were largely in line with estimates.

States raised 134.96 billion rupees (\$1.63 billion), which is a part of their planned borrowing of 3.41 trillion rupees for the current quarter.

However, they may end up borrowing less than planned, which will help keep the spread between state and central government bond yields in check, analysts said.

“The actual issuance is likely to be lower, based on historical pattern and states’ fiscal performance,” said Gaura Sen Gupta, India economist at IDFC First Bank.

The larger state borrowing programme comes as market participants keenly await the federal budget announcement in early February, to gauge the borrowing plan for the next financial year. (\$1 = 82.8590 Indian rupees)

(Reporting by Dharamraj Dhutia; Editing by Savio D’Souza)

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