

Thiagu's Blog- Indian Debt Market Outlook-10 Dec 20

Bond market update:

Benchmark note now at Rs. 98.98, yielding 5.91%, against Rs.98.92 and 5.92% yesterday. There was some bullish tilt after yesterday's news report on inflation targeting, but still a break of 5.90% on the downside seems tough.

Markets await central bank's debt purchase plan and bond auction tomorrow India to sell Rs.280 billion of bonds tomorrow, which includes 5.85% 2030 bond that will replace the existing benchmark soon. RBI did not conduct OMO last week as well as this week.

Short-Term Debt: CP rates up on low demand from MFs :

Demand from mutual funds was low because most have parked sizeable funds in ultra-short-term CPs of non-banking finance companies. Usually, fund houses invest in such papers

Lenders raised funds on account of Burger King India's IPO. According to market sources, fund houses invested around 280 bln rupees in ultra-short-term CPs.

Rates on three-month CPs of mfg companies were up at 3.20-3.35% as against 3.10-3.40% on Tuesday, and those on papers of non-bank finance companies were quoted at 3.40-3.60%.

Bond Buys By 'Others' at INR1.5 Tln

G Sec purchases by the so-called 'others' category of investors has reached Rs.1.50 trillion in this financial year. Bond purchases by others category is the highest by any segment in this fiscal. Category comprises insurance companies, corporates and RBI among other players.

Inflation firm at 7 % handle - who cares?

Dec. 4-9 poll of 48 economists forecast a drop in inflation in November to 7.10% from 7.61% in October. If realized, November's rate would be above 7.0% for the third consecutive month.

Inflation for November is expected to be lower by the consensus but On the upside, petrol prices had increased which worked in the other direction and hence a print of 7.50 % may not be surprising. More so, lot of liquidity sloshing around in the system, which in combination with limping economic activity might produce a dangerous inflationary cocktail.