

Bond yields marginally higher as U.S. Treasury yields continue to spike and that the much forgotten oil is also presenting its own set of issues for the macros .

Bond market

Benchmark note at Rs.98.63, yielding 6.04%, against Rs.98.73 and 6.02% yield yesterday. The global and domestic factors will make it difficult for benchmark yield to fall below 6%. There are signs of weariness in the market because of the recent volatility and hence the interest remains subdued .New Delhi to sell Rs.310 billion of bonds tomorrow, including Rs.110 billion of benchmark

Market is looking to consolidate around these levels ahead of Tomorrow 's auction as there is still a high probability that RBI would step in again.Last week, in the face

of record issuances, the "others" category net bought Rs. 301.16 bln of dated securities

The relentless quasi monetization of the Govt deficits in the midst of elevated global food and commodity prices adds one more dimension to the inflation outlook. The main concern centres around the daunting gap in the demand supply dynamics despite the rising domestic savings and anemic credit pickup

T Bills

Cutoff yields on India's Treasury Bills are expected to be largely steady for the second consecutive week; bidding interest may actually rise in the absence of any other avenue to park .

New Delhi selling Rs.40 billion of 91-day T-Bills, Rs.70 billion of 182-day notes and

Rs.80 billion of 364-day notes today.

Cutoff for 91-day bill seen in 3.32%-3.34% band against 3.33% last week. Yields on 182-day and 364-day notes seen in 3.56%-3.58% and 3.73%-3.75% bands, respectively, against 3.58% and 3.74% last week.

