

Benchmark at Rs.97.82, yielding 6.15%, against Rs. 98.01 and 6.12% yesterday. The sentiment is depressed - markets realise that MSAP was not the master stroke that the consensus had branded.

The yields are likely to break above 6.25 % as the ammunition at the disposal of RBI is limited in the context of issuances . The virus led growth weakness does not matter much for the markets as the credit demand was muted even when the virus appeared under control.

The low cut-off prices set by the RBI led to disappointment, as participants had hoped that, to anchor the bond yields and cool down the elevated term premia, the central bank would set the cutoff prices sharply higher than those prevailing in the secondary market. Besides that, WPI inflation in March rose to 7.39%

from 4.17% in February

The disappointing result amid jitteriness over the demand for dated securities at the weekly debt sale today , has led to the steepest rise in the 10-year benchmark bond yields since Feb 1. The previous single-day rise was of 16 bp on the day of Union Budget for 2021-22 .

Today's auction is likely to see weak demand amid chances of devolvement of 10-year benchmark. New Delhi selling bonds worth Rs. 260 billion, including 2022, benchmark and 2061 notes. There is a strong likelihood that Govt may opt for greenshoe in the 2022 paper as investors will bid for short-term papers at lower yield levels. There is possibility of a partial devolvement in the benchmark paper, as RBI may want to give a yield signal after the spike in yield.

Prices could also take cues from the underwriting fee cutoffs set by RBI, as it may indicate the demand for bonds at the auction.