

Weekly auction is likely to witness tepid demand as traders fear devolvement in 2026 or 2035 papers. New Delhi selling bonds worth Rs.320 billion, including 2025, 2035, FRB and 2050. The volatility around auctions have almost brought the secondary market activity to standstill.

It is most likely that the Bids will be at lower price levels given the skewed demand-supply dynamics. Partial devolvement in 5 year and 14-year paper is possible. PSU banks are likely to bid for FRB note .New Delhi may use greenshoe to make up for last week's shortfall after it did not sell benchmark note.

RBI is suspected to have purchased treasury bills at the auction on Tuesday. Data released on Tuesday showed that the 'others' category, which includes RBI, was the largest buyer of T-bills with a net

purchase worth 161 bln rupees.

Last year, RBI purchased T-bills as well and later sold these T-bills and bought long-term papers in Operation Twist. It is expected that RBI will similarly conduct Operation Twist this year as well.

The market is betting that something will be announced soon-the next tranche of purchases under GSAP or Operation Twist just to stay where we are .10 year yield is expected to stay firm in this range 6.00 % - 6.15 %