

View

Benchmark 5.85% bond maturing in 2030 is at Rs.98.82 yielding 6.01% unchanged as that of yesterday.

While unrelenting spread of the pandemic , devastation thereof and hyper active RBI continue to keep the upside limited in yields , higher inflation , the large issuances , spike in commodities and firming global bond yields continue to keep the downside limited .

For now ,6% mark is a pretty strong support in 10 year and it is not possible for the markets to sustain a steady drift downwards in the current context .

6.00 to 6.15 % continues to stay as the range and any probable action from rating

agencies remains as a key risk going forward in FY 2022.

Auction

On Friday, the Centre raised Rs. 320 bln with RBI setting the cutoff prices along expected lines. It was second consecutive week of the auction drawing firm demand from investors, raising expectation that auction Fridays may now be calmer than they were in April.

The way auctions panned out in the first three weeks had fuelled uncertainty and dented appetite for dated securities.

However auction on Apr 30 drew surprisingly firm demand, which raised suspicion that the central bank was intervening through moral suasion.

Supply :

New Delhi is scheduled to borrow Rs. 12.05 trillion from the debt market in this financial year and will raise at least Rs. 260 billion via bonds on Friday.

Seven Indian states plan to raise Rs. 121.50 billion via bonds maturing in five years to 34 years today. Since the state debt auction is heavy on duration, it will be too tough for demand to shape up.

Support from RBI :

RBI is scheduled to buy notes worth 350 billion rupees under the second leg on May 20. Details of this auction could be released this week. RBI is also expected to continue its special open market operations and regular OMOs .

Inflation:

Retail inflation data for April tomorrow. Inflation is likely to have eased to 4.20% from 5.52% in March but concerns centre around the current month when large parts of the country have been shut and supply chains impacted .