Benchmark 5.85% bond maturing in 2030 is at Rs.99.11 , yielding 5.97% as against Rs. 99.12 and 5.97% yesterday.

Bonds to stay rangebound until New Delhi's Rs. 260-billion auction on Friday, that includes Rs.140 billion of benchmark.

Even though any action on interest rates in MPC on June 4 is not expected, markets will focus on the views of policymakers on inflation, abundant liquidity in the banking system, and economic recovery,

Other observations :

1. India’s 5.63% 2026 bond leads gains and becomes most-traded note. Note's yield down three basis points to 5.51%.Mutual funds are looking to add stock in four-to-six year segment and bought state debt at yesterday .It is likely that a couple of large

fund houses may have done multiple trades and hence short-end could remain supported until MPC

2. RBI has bought Rs. 544.51 bln worth of the 10-year benchmark 5.85%, 2030 bond through open market operations, Operation Twist, and by reportedly intervening in the auction itself. The net outstanding amount of the paper is Rs. 912.7 bln . Markets have been refraining from placing bets in the paper due to poor price discovery in the segment.

On the other hand, the net outstanding of the 6.64%, 2035 bond is Rs.421.85 bln and it has been free from cancellations and open market operations so far.

The prevailing yield of the 6.64%, 2035 bond at 6.59% is more than 60 bp over the 10-year yield, which is believed to be a lucrative level.Markets expect the paper to be part of future market operations of RBI just as 6.22%, 2035 bond was part of the second round of the GSAP.

While there cannot be a trading view in the 10–year paper, 6.64%, 2035 bond provides a superb trading opportunity.