

Benchmark 5.85% bond maturing in 2030 is at Rs. 98.87 rupees, yielding 6.01% against Rs. 98.89 yielding 6.01%, yesterday.

Auction :

New Delhi selling Rs. 320 billion of bonds maturing in 2026, 2033, 2035 and 2050 today. It's a tricky auction as there is a lot of uncertainty ahead of policy tomorrow.

Auction to see weak bidding interest. Lower-than-expected underwriting cutoffs have reduced the chances of devolvement. However, given weak demand, if RBI devolves notes on primary dealers today, then it's also likely that it will purchase them again.

Moreso, Last week, RBI devolved more

than half of benchmark paper on primary dealers. (RBI devolved two auctions on primary dealers and rejected all bids for a paper in an auction on three occasions)

RBI which has launched an unprecedented quantitative easing programme to help absorb New Delhi's elevated borrowing, is scheduled to purchase debt worth Rs.400 billion rupees in June. Net purchases by 'Others' category in the last two days, worth over Rs.30 bln , raised speculation that RBI was intervening in the secondary market.

Fiscal deficit as a percentage of GDP

For two years running, Budget numbers on revenue showed a large variation between those that were presented as the Revised Estimates (RE) in the first day of February and just about four months later as the Provisional Actuals (PA).

That happened in 2018-19 and 2019-20 understandably rattled the faith of many in the sanctity of these numbers. How could numbers vary so much in the space of just four months, with the PA being less than RE?

India's fiscal deficit for 2020/21 that ended on March 31 stood at 18.21 trillion rupees or 9.3% of GDP. Net tax receipts were Rs. 14.24 trillion while total expenditure was Rs. 35.11 trillion . (On Feb. 1, the government revised its fiscal deficit target for 2020/21 to 9.5% of GDP, instead of its original target of 3.5% of GDP)