

The new benchmark 6.10% bond maturing in 2031 is at Rs.99.94 yielding 6.11% against Rs. 99.93 and 6.11% yesterday. Yields on other liquid bonds were down one-to-two basis points.

RBI Governor in an interview to Financial Express said that the central bank aims for an orderly evolution of sovereign bond yield curve but added that direct financing of the fiscal deficit is fraught with several downsides. Das reiterated that inflation is by and large transitory in nature and could moderate by the third quarter. Subtle hint that they would permit the yields to move higher by 20 bp at least in the next three months .

Last week, RBI sold a new 10-year bond at a higher-than-expected 6.10% yield after several weeks of maintaining benchmark yield near 6%.

RBI's announcement of securities under GSAP is expected Thursday. RBI is scheduled to buy gilts worth Rs.200 bln on Jul 22. Markets could remain subdued avoiding fresh bets ahead of the weekly debt sale on Friday. Anyway, there has been very little trading interest even otherwise with markets in constant fear of the Central bank.

Participants also await the release of an updated gilt issuance calendar, which is expected to factor in the additional market borrowing worth Rs.1.58 trln .