The benchmark 6.10% bond maturing in 2031 is at Rs. 99.85 yielding 6.12% against Rs. 99.87 yielding 6.12% yesterday. Yields on other liquid notes fell two-to-three basis points.

New Delhi kept its borrowing for the first half of the fiscal year unchanged despite transferring an advance to states as GST compensation.Some temporary relief whereas the bigger picture continues to be still daunting considering the overhead supply and spiraling inflation .

New Delhi yesterday made an advance transfer of Rs.750 billion to states to bridge the shortfall in GST compensation against the full-year target of Rs.1.59 trillion.India federal government's cash available through April-Sept borrowing to finance own expenditure will shrink following this.

Inflation

Nowadays , Gilts and swaps are not reacting much to global cues . It is an indication that the market is concerned more about domestic factors.

With inflation continuing to stay dismissed as transitory - RBI staff yesterday were supporting that stance- the firmer Oil prices north of 70.00 in Brent does not make any impact .

GSAP

RBI will focus its asset purchase programme on buying illiquid papers, while it will deploy tools such as Operation Twist and outright open market purchases to manage yields of the on-the-run bonds.

The worst-hit papers were the 5.63%, 2026 and 6.64%, 2035 bonds, the two most traded securities by volume.

Auction

Demand at India’s Rs. 320 billion bond auction to improve after New Delhi keeps its First half borrowing unchanged, Today's auction should sail through as there is some comfort on the supply front.

PSU banks may continue to opt for the five- and 14-year papers. Large insurer may bid for 2050 bond. Cutoff on 2026 and 2035 bonds likely at 5.68% and 6.79%, respectively, against 5.67% and 6.78% market levels.