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PRIMARY AUCTION MARKET,
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DOLLAR INDEX
LIQUIDITY, OIS SPREAD

CCIL DEBT MARKET QUARTERLY

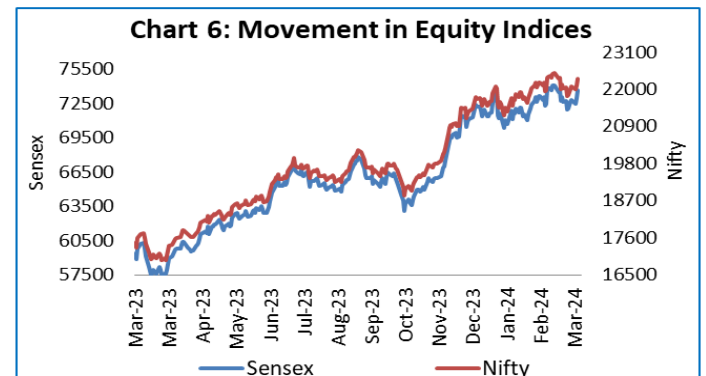
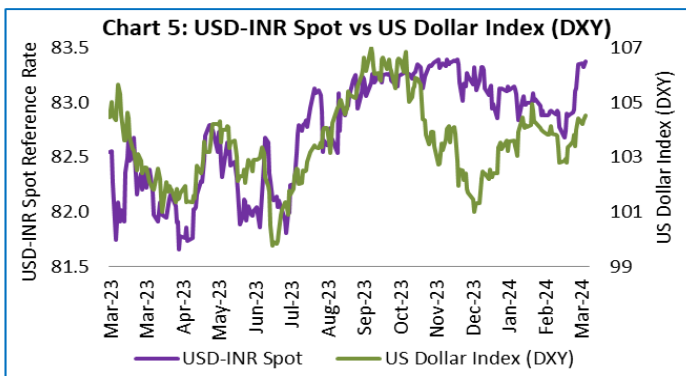
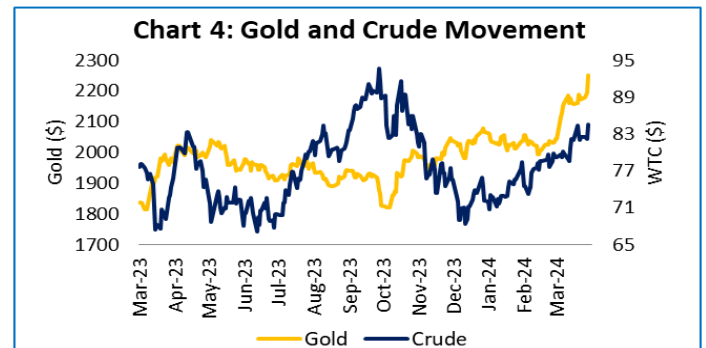
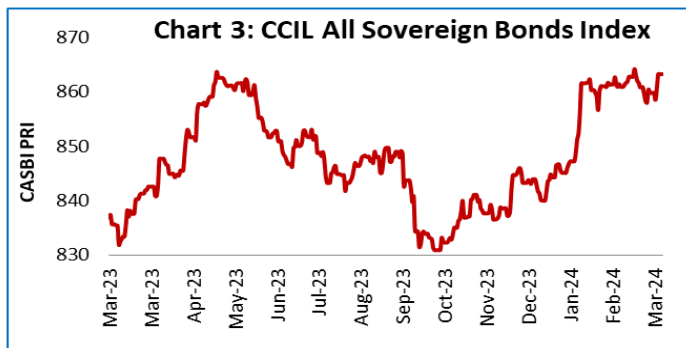
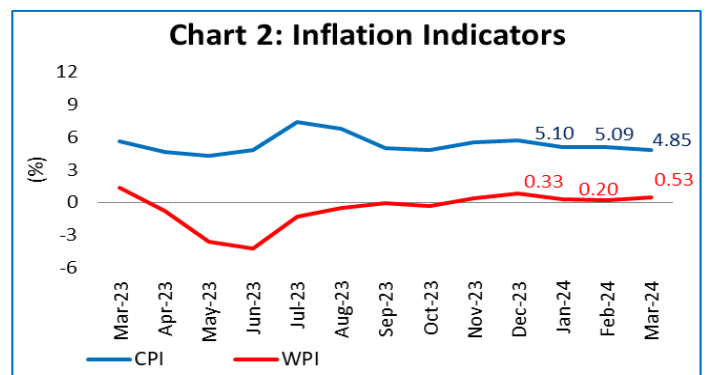
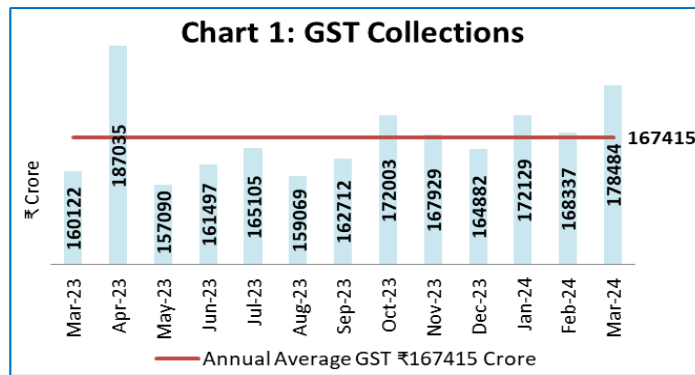
JANUARY - MARCH 2024



A Glance over the Quarter

The Indian economy scaled the highest growth rate in seven quarters by expanding a robust 8.40% in the third quarter of FY24 on the back of strong performance by manufacturing, service and construction sectors. The feat resulted in the revision of FY24 forecasts by RBI, international and rating agencies. India's manufacturing and service PMIs rebounded in March depicting one of the strongest expansions ever in new orders along with business activity. GST collections remained robust during the quarter, with March achieving the second highest collections ever, while CPI inflation inched closer to RBI's target level. Sharper contraction in imports compared to exports pulled the trade deficit to 11-month low in March at \$15.60 billion.

Macro Indicators at a Glance (March 2023 - March 2024)



Despite the resilient domestic economic trajectory and predictions of a normal monsoon, flaring tensions in the Middle-East cast a cloud on India's near-term inflation, interest rate and growth dynamics.

Market Borrowings

The Interim Budget set a lower target of ₹14.13 lakh crore for gross market borrowings during FY25, with the Government aiming to optimize cash balances and reducing the cost of borrowings. The calendar notified by RBI for dated G-Sec issuances worth ₹7.50 lakh crore frontloads about 53% of the total issuances in H1-FY25. The H1 borrowing plan is spread over 26 weekly tranches of ₹20000-38000 crore. Taking note of the demand pattern, more than half of the borrowings will be raised in longer maturities including a new 15Y G-Sec. SDL issuances worth ₹2.54 lakh crore were also announced for Q1-FY25, while average weekly borrowing under T-Bills in Q1-FY24 is expected at ₹24692 crore. Unlike recent years, a healthier fiscal position leading to lower bond supply is expected to create a more stable environment for FY25 market borrowings, especially with the strong demand buoyed by new foreign investors charged up further by the news of inclusion of FAR bonds in the Bloomberg Emerging Market Local Currency Government Bond Indices by January 2025.

Primary Auctions - Central Government Dated Securities

The limited weekly G-Sec auctions in Q4-FY24 benefitted from expectations of domestic and international interest rate cuts and the lower borrowing target announced in the Interim Budget coinciding with the excitement around inclusion of Indian G-secs in global bond indices.

Table 1: G-Sec Issuance Summary (₹ Crore)

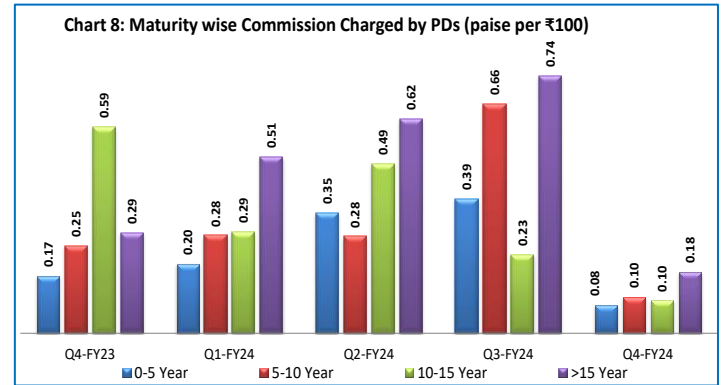
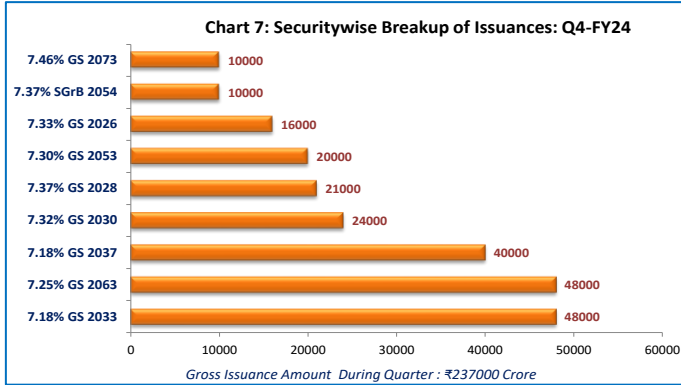
Period	Weekly Auctions	Notified Amount	Gross Issuance	Average Weekly Issuance	Redemptions	Net Borrowing	Additional Greenshoe Borrowing (+)/Shortfall(-)
FY22	44	1179000	1127382	25622	274679	852703	-51618
FY23	48	1437000	1421000	29604	335907	1085093	-16000
Q4-FY23	10	244000	244000	24400	11605	232395	-
Q1-FY24	13	441000	441000	33923	158764	282236	-
Q2-FY24	13	447000	447000	34385	-	447000	-
Q3-FY24	13	418000	418000	32154	236618	181382	-
Q4-FY24	7	237000	237000	33857	74529	162471	-

Auction Details

The Central Government borrowed ₹237000 crore during Q4-FY24. A new 30Y Sovereign Green Bond (SgrB) was issued tapping into the consistent demand for longer tenor G-Secs.

Table 2: G-Sec Issuance Details

Sr No	Security	Amount (₹ Crore)			Bid Cover Ratio	Cut-off Range		Outstanding at End-Quarter (₹ crore)
		Notified Amount	Gross Issuance	Devolvement		Price	Yield	
1	7.18% GS 2033	48000	48000	-	2.15	100.01-100.57	7.0964-7.1773	201000
2	7.25% GS 2063	48000	48000	-	2.83	97.12-101.40	7.1421-7.4773	228000
3	7.18% GS 2037	40000	40000	-	2.70	98.51-100.90	7.0749-7.3550	172000
4	7.32% GS 2030	24000	24000	-	2.25	100.66-101.75	6.9883-7.1937	48000
5	7.37% GS 2028	21000	21000	-	2.17	101.19-101.25	7.0508-7.0640	63000
6	7.30% GS 2053	20000	20000	-	3.01	98.69-101.99	7.1361-7.4093	158000
7	7.33% GS 2026	16000	16000	-	2.75	100.67-100.67	7.0464-7.0533	40000
8	7.37% SGrB 2054	10000	10000	-	2.55	100.00-102.84	7.1387-7.3700	10000
9	7.46% GS 2073	10000	10000	-	3.08	101.44-101.44	7.3499-7.3499	30000
	Total	237000	237000	-	2.56			



Auction Bidding

Primary auctions during Q4-FY24 benefitted from expectations of demand outstripping supply of Indian G-Secs in the near-term. The strong demand was reflected in the sharp dip in the average underwriting commissions charged by Primary Dealers (PDs). The sharpest decline was observed for longer tenor bonds given the robust demand in the segment. Confidence about market demand has also resulted in RBI deciding to revert to multiple-price auctions for dated G-Secs in FY25.

Table 3: Bidding in G-Sec Auctions (₹ Crore)

Period	Notified Amount	Bids Received		Bids Accepted		Success Ratio		BCR	Devolve ment on PDs	Comple te Rejection of Bids	Total Issuance	Overall Auction Failure	Average ACU Commission Cut-off rate (paise per ₹100)
		Competitive	Non Competitive	Competitive	Non Competitive	Competitive	Non Competitive						
Q4-FY23	244000	629678	414	235332	414	37%	100%	2.6	8254	-	244000	3.38%	0.33
Q1-FY24	441000	1133275	462	440538	462	39%	100%	2.6	-	-	441000	-	0.35
Q2-FY24	447000	1159096	483	446517	483	39%	100%	2.6	-	-	447000	-	0.45
Q3-FY24	418000	1118049	523	417477	523	37%	100%	2.7	-	-	418000	-	0.58
Q4-FY24	237000	607041	226	236774	226	39%	100%	2.6	-	-	237000	-	0.13

Maturity Profile of Outstanding G-Secs

RBI continued elongating the maturity profile of outstanding debt with only a slight increase in interest rates by concentrating more than a third i.e. 37% of issuances in 29-50Y bonds which benefitted from the strong demand from institutional investors.

Table 4: Maturity Profile of Outstanding Central Government Dated Securities *

Period	Total				Share (%)					
	Number of Securities	Outstanding (₹ Lakh Crore)	Weighted Average Maturity of Outstanding (Years)	Weighted Average Coupon	<=1 Years	1-5 Years	5-10 Years	10-15 Years	15-30 Years	>30 Years
Q4-FY23	104	91.66	11.94	7.17	4.80	24.31	28.79	18.30	15.20	8.60
Q1-FY24	103	94.47	11.71	7.14	5.67	24.24	29.74	17.17	14.05	9.13
Q2-FY24	105	99.24	12.22	7.26	4.59	23.04	31.43	15.78	15.62	9.55
Q3-FY24	107	100.89	12.52	7.27	4.12	21.83	33.66	14.31	15.76	10.31
Q4-FY24	107	102.66	12.53	7.28	3.52	24.08	31.31	14.65	15.71	10.73

*Excluding Special Securities

Short Term Borrowings

Unlike global markets, short-term rates in India were guided by banking system liquidity rather than rate cut expectations during Q4-FY24. While overall cut-offs in primary T-Bill auctions softened on account of RBI's fine-tuning operations, the short-end of the yield curve remained inverted with the 182-DTB cut-offs remaining higher than the 364-DTB cut-offs throughout the quarter. Aversion of market participants to take positions in the short end on account of uncertainty about interest rate cuts and the worsening geopolitical situation was evident from the falling bid to cover ratio across T-Bill auctions observed during the quarter.

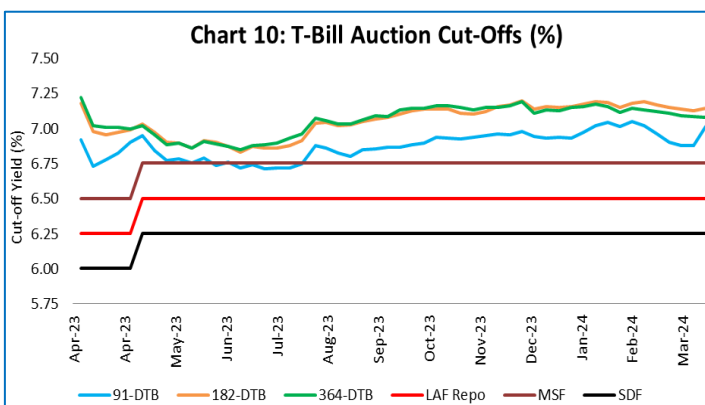
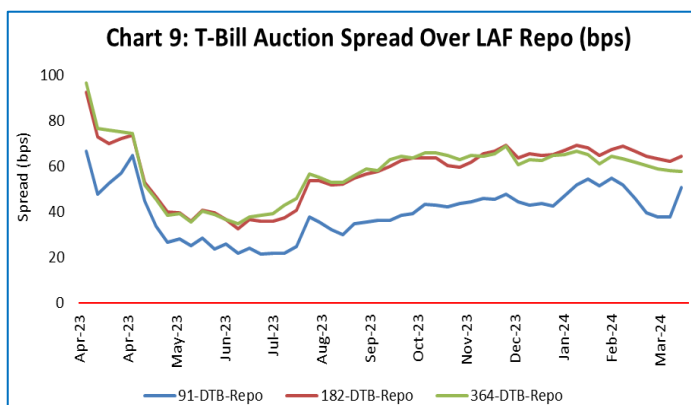


Table 5: Primary Treasury Bill Auctions

91-DTB							
Quarter	Notified Amount (₹ Crore)	Gross Issuance (₹ Crore)	Redemptions	Net Borrowing (₹ Crore)	BCR	Weighted Average Cut-off Yield (%)	Average Spread over LAF Repo (bps)
Q4-FY23	101000	114938	191393	-76455	3.82	6.67	26
Q1-FY24	156000	206798	114938	91860	3.04	6.81	31
Q2-FY24	130000	175177	206798	-31621	4.10	6.79	29
Q3-FY24	91000	127351	175177	-47826	4.00	6.93	43
Q4-FY24	116000	135101	127351	7750	3.10	5.95	47
182-DTB							
Quarter	Notified Amount (₹ Crore)	Gross Issuance (₹ Crore)	Redemptions	Net Borrowing (₹ Crore)	BCR	Weighted Average Cut-off Yield (%)	Average Spread over LAF Repo (bps)
Q4-FY23	179000	182198	113869	68329	2.57	7.09	67
Q1-FY24	156000	175593	80894	94699	2.91	6.97	45
Q2-FY24	104000	116525	182198	-65673	3.12	6.96	46
Q3-FY24	104000	111366	175593	-64227	2.93	7.14	64
Q4-FY24	160000	167708	116525	51183	2.74	6.81	66
364-DTB							
Quarter	Notified Amount (₹ Crore)	Gross Issuance (₹ Crore)	Redemptions	Net Borrowing (₹ Crore)	BCR	Weighted Average Cut-off Yield (%)	Average Spread over LAF Repo (bps)
Q4-FY23	150000	159431	167923	-8492	3.03	7.17	74
Q1-FY24	104000	113875	111447	2428	3.56	6.96	46
Q2-FY24	78000	98186	87875	10311	3.74	7.00	49
Q3-FY24	117000	122417	86531	35886	2.81	7.15	65
Q4-FY24	117000	123009	159431	-36422	3.79	6.76	62

Detailed analysis of market borrowings by the State Governments is covered in the CCIL SDL Quarterly report available at: <https://www.ccilindia.com/Research/CCILPublications/QuarterlyReports/Pages/IndiaSDLQuarterly.aspx>

Liquidity

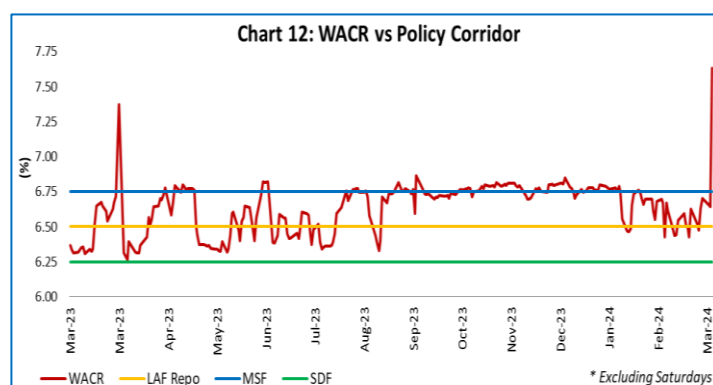
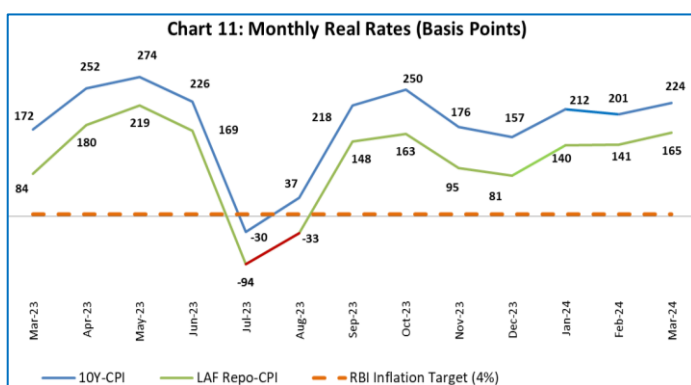
RBI continued guiding the liquidity in the banking system in accordance with its stance of withdrawal of accommodation to bring inflation back to the target of 4% on a durable basis. RBI's dynamic liquidity actions ranged from pro-active liquidity injection in January to absorption in February and addressing the seasonal tightening of liquidity at end-March through multiple variable rate repo (VRR) and variable rate reverse repo (VRRR) fine-tuning auctions. Systemic liquidity also improved on account of increased government spending and maturity of RBI's USD-INR sell buy swap.

Table 6: Durable Liquidity Flows (₹ Crore)

Inflows	Redemptions				Coupons	
	G-Sec	SDL	DTB	CMBs	G-Sec Coupon	SDL Coupon
Q4-FY23	11605	84757	473185	-	142643	100950
Q1-FY24	170763	45905	307278	-	191470	78103
Q2-FY24	-	75803	476871	-	153387	105249
Q3-FY24	236618	69047	437300	-	216715	87408
Q4-FY24	74529	95476	403307	-	164267	111545
Outflows	Auctions					
	G-Sec	SDL	DTB	CMBs		
Q4-FY23	244000	300934	456567	-		
Q1-FY24	441000	167700	496266	-		
Q2-FY24	447000	190322	389888	-		
Q3-FY24	418000	245992	361134	-		
Q4-FY24	237000	403044	425819	-		

Real Rates

RBI's deft liquidity management brought the weighted average call rate (WACR) closer to the policy LAF Repo rate from February onwards. Steadily falling CPI readings resulted in the real rates getting further entrenched in positive territory throughout the quarter despite a fall in the nominal yields.



Yield Movement

A rally across the term structure resulted in significant softening of G-Sec yields in Q4-FY24 with the yield curve shifting downwards. Initially triggered by expectations of multiple interest rate cuts by the US Federal Reserve in 2024 coinciding with lower domestic inflation readings, the positive sentiment in the Indian bond market was further reinforced by the announcement of lower market borrowings in FY25, improving banking system liquidity and strong foreign inflows due to the inclusion of FAR bonds in global indices. Robust demand for longer bonds resulted in a substantial flattening of the yield curve.

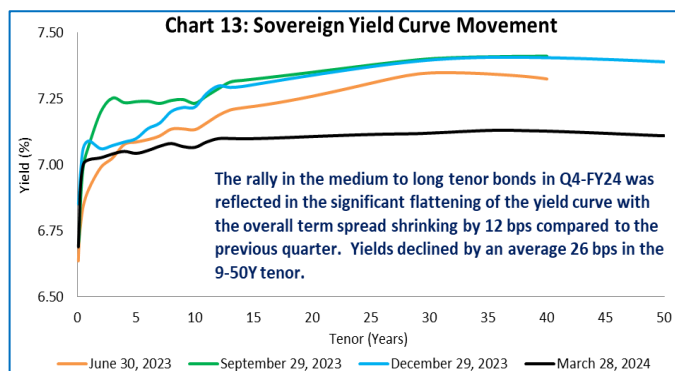
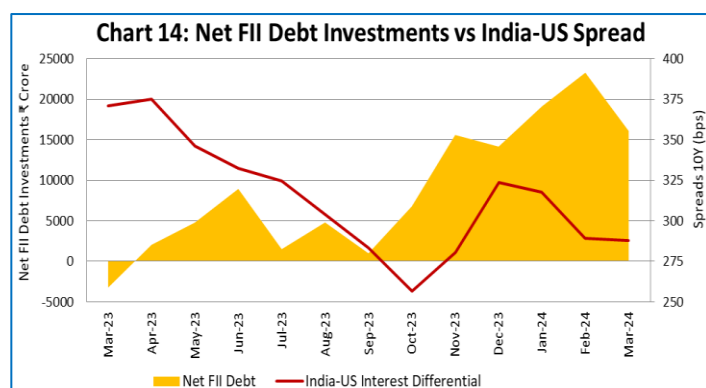


Table 7: Spread Behavior - Basis Points

Spread/Quarter	Q4-FY24	Q3-FY24	Q2-FY24	Q1-FY24	Q4-FY23
10Y-LAF Repo	64	81	68	61	97
10Y-1Y	3	19	23	28	31
10Y-3Y	8	6	3	15	19
10Y-5Y	6	5	2	10	8
15Y-10Y	4	6	7	7	5
40Y-10Y	9	16	17	14	5
10Y-CPI	212	194	73	250	115
LAF Repo-CPI	148	113	5	190	17
10Y-US10Y	299	287	304	350	371

India - US Spread

Frontloading of investments in index eligible Indian G-Secs resulted in FAR holdings of foreigners (as of March 28, 2024) jumping to 4.50% of the total outstanding of the eligible bonds - an increase of ₹79409.482 crore or a growth of more than 84% over the holdings on September 21, 2023 - the day before the first announcement of global index inclusion by J.P. Morgan which was subsequently followed by Bloomberg on March 5, 2024. India's strong macro parameters coupled with the widening of the India-US interest rate differential further boosted the appeal of Indian bonds for foreign investors.



Indices Movement

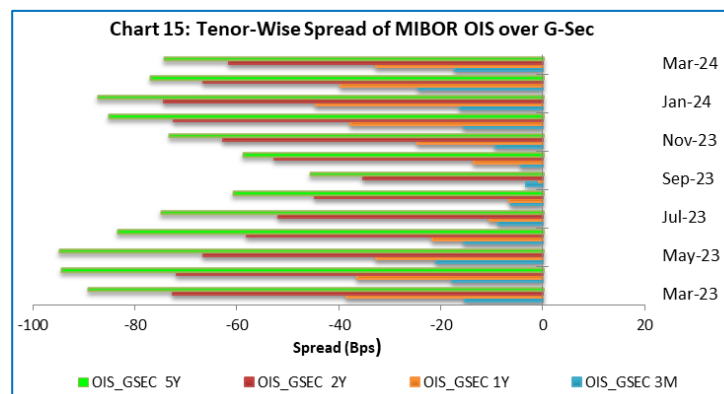
Lower gross borrowing projections in the Interim Budget 2024-25, Bloomberg announcing the addition of FAR G-Secs to its Emerging Market Local Currency Government Indices - reinforcing the surge in foreign inflows into the Indian debt market, lower CPI readings and easing US treasury yields led to a sharp decline in G-Sec yields during Q4-FY24. Since price movement is inversely related to bond yield movement, this was reflected in the higher PRIs of various CCIL bond indices.

Table 8: CCIL Principal Return Index (PRI)

Period	BROAD	LIQUID	CASBI	TENOR 1	TENOR 2	TENOR 3	TENOR 4	TENOR 5	SDL	TBILL (LIQ WEIGHT)
Oct-23	895.96	847.04	833.23	793.85	823.29	859.58	851.40	835.89	982.49	224.82
Nov-23	899.57	851.47	838.43	795.53	827.92	864.88	856.66	842.42	982.29	225.71
Dec-23	905.86	857.17	843.98	799.38	833.32	871.84	863.28	847.13	988.23	226.67
Jan-24	911.21	859.86	852.47	799.98	835.92	875.92	869.96	861.44	988.12	227.52
Feb-24	917.33	866.80	861.50	799.27	838.07	882.49	876.41	876.49	1002.23	228.41
Mar-24	918.91	868.50	863.33	799.53	838.70	884.43	880.82	878.24	1004.67	229.31

OIS Spreads

Negative spreads between OIS rates and corresponding G-Sec yields widened further with the effect more pronounced at the shorter end. Average spread widened to -51.35 bps in Q4-FY24 from -42.54 bps in Q3. OIS rates for 3M and 1Y declined at a faster rate pricing in expectations of change in RBI's monetary policy stance following a gradual and steady decline in CPI inflation.



Sovereign Debt Trading Activity

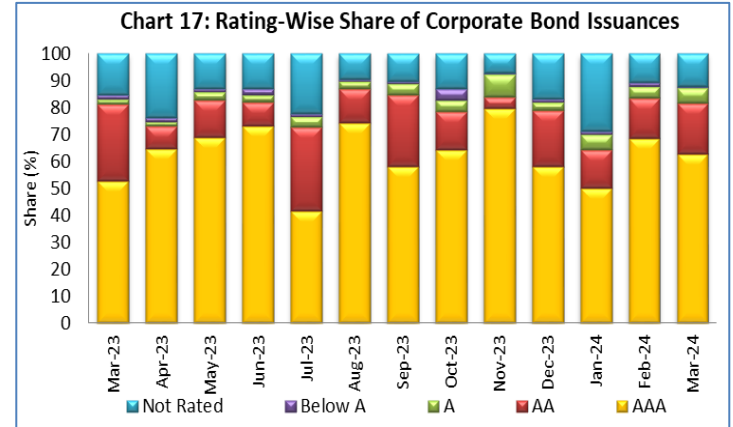
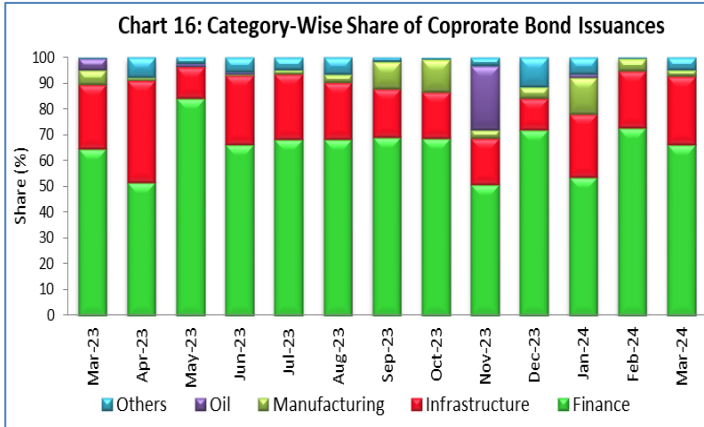
G-Sec trading activity revived during Q4-FY24 in the absence of fresh supply in the primary market from mid-February and the global index inclusion driven rally being further fortified by the news of inclusion of FAR bonds in Bloomberg's EM Local Currency Government Bond indices amid expectations of interest rates having reached their peaks in the US and India.

Table 9: Trading Summary - Government Bond Market (₹ Lakh Crore)

Period	Outright			Market Repo	TREP
	G-Sec	SDL	T-Bill		
Q4-FY23	21	2	4	94	222
Q1-FY24	30	2	6	108	181
Q2-FY24	29	1	4	93	203
Q3-FY24	23	2	4	88	213
Q4-FY24	27	3	4	94	206

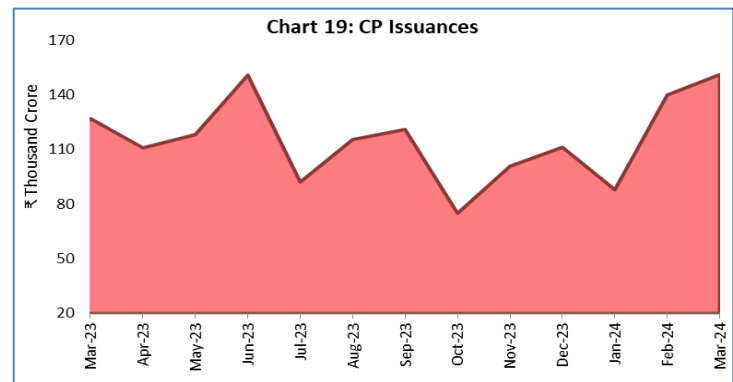
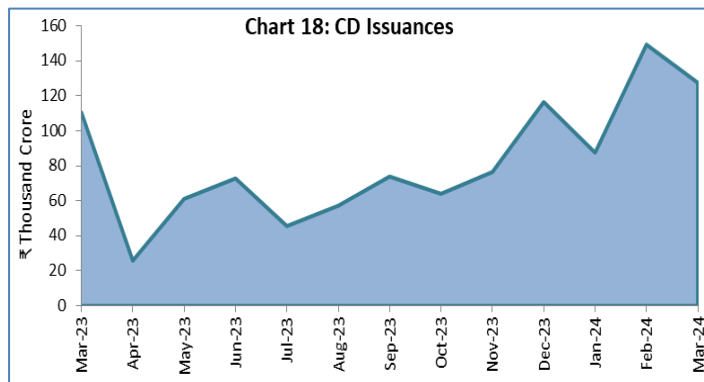
Corporate Borrowings

Corporate bond market yields mirrored the falling G-Sec yields, particularly in the longer maturities, leading to increased issuances by companies to benefit from lower borrowing costs. Primary issuances of corporate bonds, thus, grew by 8% q-o-q on account of 73% higher issuances of infrastructure bonds. The second leading contribution came from manufacturing units (31%). In FY24, fund raising through corporate bonds scaled ₹7.53 lakh crore - 29% higher than the ₹5.82 lakh crore raised in FY23. The average share of AAA bonds in issuances declined by 7% in Q4-FY24 whereas AA bond issuances improved by 3% q-o-q.



Short-term Corporate Borrowings (CDs & CPs)

Fundraising by banks through issuances of Certificate of Deposit (CDs) touched a record high in February (₹1.49 lakh crore) followed by the second highest issuances in March (₹1.27 lakh crore) due to extremely tight liquidity in the banking system. This has resulted in 59% growth in the number of CDs issued (1606 versus 1012) over the previous quarter, while the amount raised stood at ₹3.64 lakh crore - increasing by 42% compared to Q3-FY24. For entire FY24, CD issuances have risen by 32% in volume terms. Commercial Papers (CPs) issuances generally pick up during the last quarter of the year as companies borrow more to meet their borrowing targets. During Q4-FY24, total number of CPs issued stood at 2422 amounting to ₹3.79 lakh crore showing q-o-q growth of 12% and 32% respectively.



Corporate Debt Trading Activity

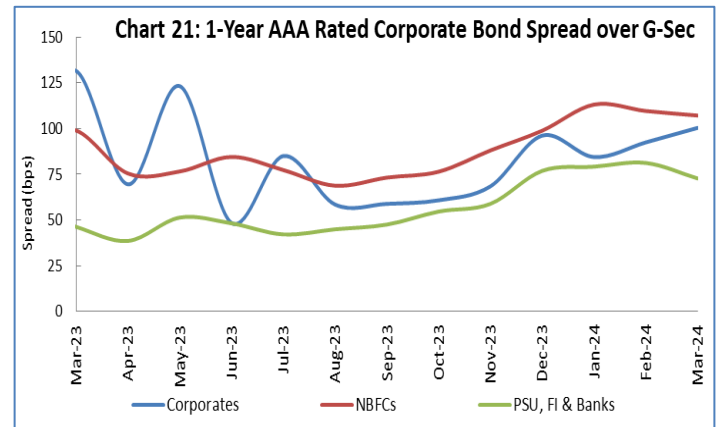
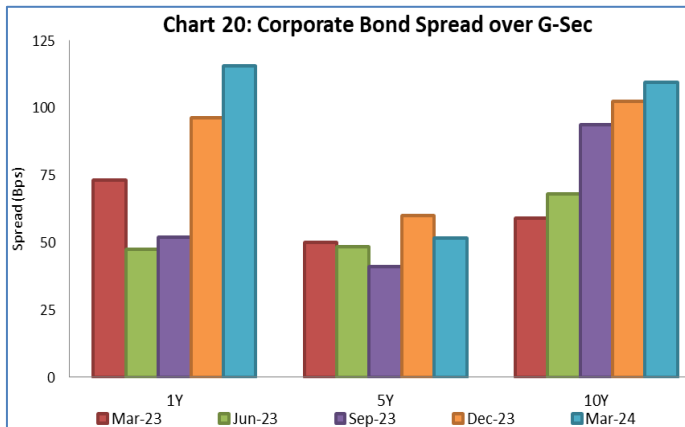
Easing corporate bond yields boosted trading in these instruments during the final quarter of FY24. Trading in corporate bonds increased by 24% q-o-q led by a 65% jump in trading of manufacturing bonds and 31% rise in trading of finance company bonds; together they contributed 93% in total corporate bond trading. Record high systemic liquidity and higher credit demand pushed trading in CDs and CPs up by 49% and 9% respectively in Q4-FY24 over the previous quarter. After declining consecutively for initial three quarters of FY24, activity in the corporate bond repo segment increased noticeably in Q4-FY24.

Table 10: Trading Activity in Corporate Debt Market (₹ Crore)

Quarter	Corporate Bonds	Certificates of Deposit	Commercial Papers	Corporate Bond Repo
Q4-FY23	354961	181073	137048	47818
Q1-FY24	324873	182792	132867	27548
Q2-FY24	257391	185089	173981	25418
Q3-FY24	270882	230267	188161	16408
Q4-FY24	335923	342272	205715	31130

Corporate Bond Spreads

Short term AAA corporate bond yields in March hardened at a faster rate compared to their G-Sec counterparts on account of tight liquidity coupled with higher state borrowings. It resulted in 1Y AAA corporate bond spread over G-Secs rising by 19 bps to 115 bps in March over December levels. On the contrary, increase in yield spreads 10Y AAA corporate bonds was marginal on account of higher demand for longer term securities.



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