

CCIL DEBT MARKET QUARTERLY

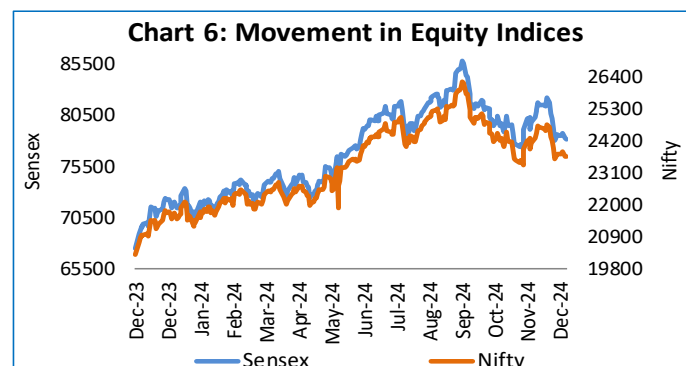
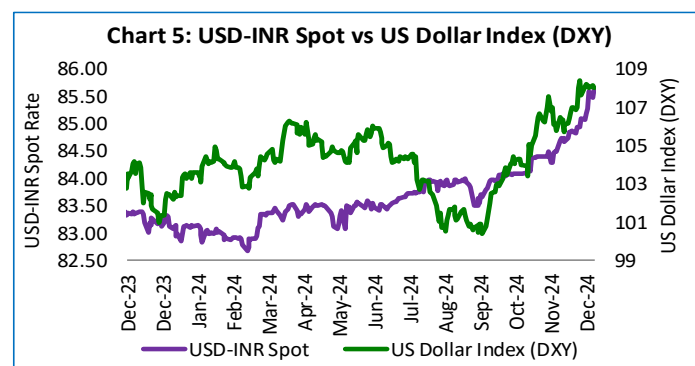
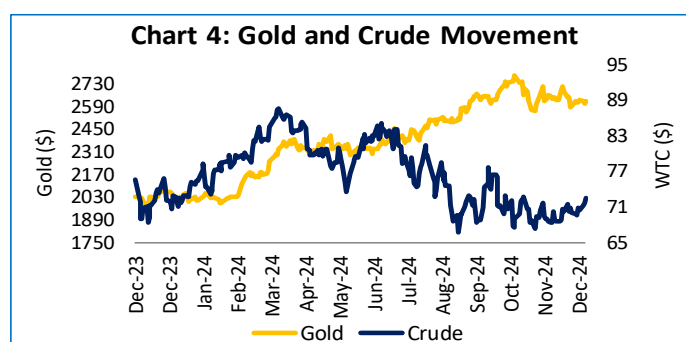
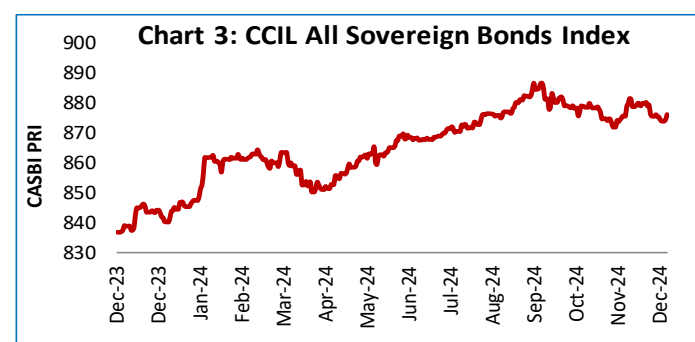
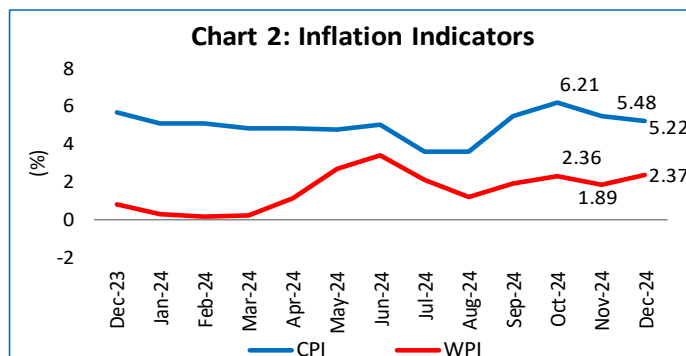
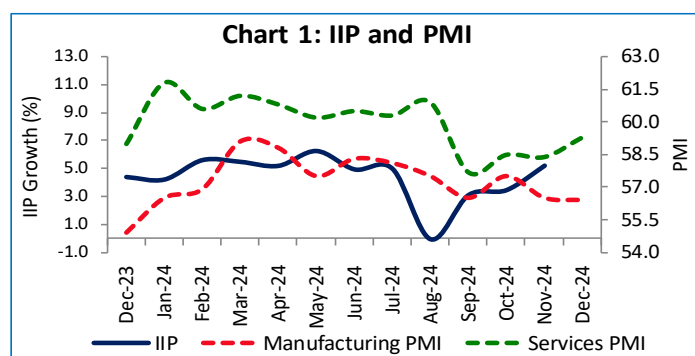
OCTOBER-DECEMBER 2024



A Glance over the Quarter

Central Banks around the world went on an easing spree as growth concerns arose amidst cooling inflation in advanced economies. The US Federal Reserve followed up its 50-bps rate cut in September 2024 with successive 25-bps cuts in November and December respectively, followed by the European Central Bank, while the Bank of England chose a 25-bps cut in November. India's MPC, on the other hand, chose to hold rates unchanged during its meetings in October and December 2024 as it remained focused on "a durable alignment of inflation with the target". Price concerns returned in December with sticky inflation, causing the Fed to recalibrate its policy response, hinting at lower magnitude of rate cut than indicated earlier.

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



Domestically, while lower inflation readings along with a seven-quarter low GDP growth of 5.40% have strengthened the clamor for a rate cut, the evolution of the exchange rate is likely to weigh on the timing and quantum of rate changes in the near-term.

Market Borrowings

Although RBI has indicated higher amounts for both SGS and T-Bill issuances during Q4-FY25, in the absence of additional borrowing announcements, the completion of the Central Government's market borrowings for FY25 is expected to be smooth. While SGS issuances worth ₹4.73 lakh crore and an average weekly borrowing of ₹30308 crore under T-Bills have been indicated for Q4-FY25, the expected borrowing indicated in the Union Budget FY26 as well as the incoming US administration's policies are likely to drive sentiments in the Indian G-Sec market.

Primary Auctions - Central Government Dated Securities

Overall, market borrowings through dated securities were on track during Q3-FY25, barring a single instance of devolvement in the new 10Y SGrB.

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

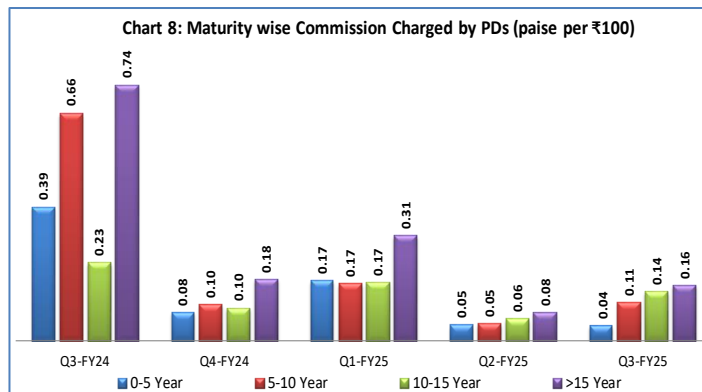
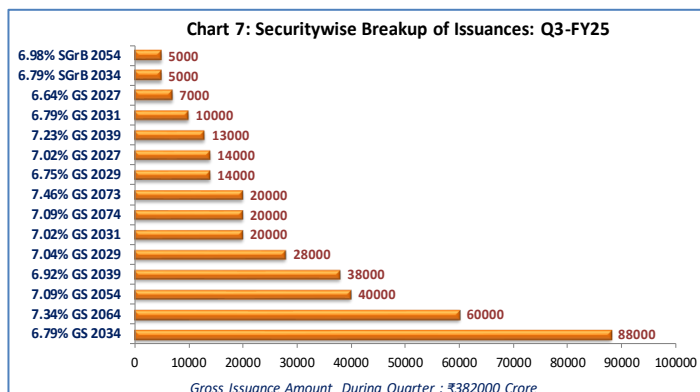
Period	Weekly Auctions	Notified Amount	Gross Issuance	Average Weekly Issuance	Redemptions	Net Borrowing	Additional Greenshoe Borrowing (+)/Shortfall (-)
FY23	48	1437000	1421000	29604	335907	1085093	-16000
FY24	46	1543000	1543000	33543	469911	1073089	-
Q3-FY24	13	418000	418000	32154	236618	181382	-
Q4-FY24	7	237000	237000	33857	74529	162471	-
Q1-FY25	13	378000	372000	28615	134601	237399	-6000
Q2-FY25	13	372000	367697	28284	205532	162165	-4303
Q3-FY25	12	382000	382000	31833	229969	152031	-

Auction Details

The Central Government borrowed ₹382000 crore during Q3-FY25 with 8 new issuances: New securities for 3, 5, 7, 10, 15 and 50 year maturities and 2 new SGrBs for 10 and 30 year maturities.

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	6.79% GS 2034	88000	88000	-	2.72	99.48-100.24	6.7543-6.8618	88000
2	7.34% GS 2064	60000	60000	-	2.79	103.47-104.77	6.9830-7.0766	194000
3	7.09% GS 2054	40000	40000	-	2.66	100.31-101.35	6.9806-7.0641	70000
4	6.92% GS 2039	38000	38000	-	2.59	100.00-100.38	6.8783-6.9200	38000
5	7.04% GS 2029	28000	28000	-	2.70	100.91-101.34	6.6961-6.8026	88000
6	7.02% GS 2031	20000	20000	-	2.56	101.03-101.33	6.7662-6.8213	64000
7	7.09% GS 2074	20000	20000	-	3.18	100.00-101.07	7.0120-7.0900	20000
8	7.46% GS 2073	20000	20000	-	2.39	106.33-106.67	6.9773-7.0009	117000
9	6.75% GS 2029	14000	14000	-	2.96	100.00-100.00	6.7500-6.7500	14000
10	7.02% GS 2027	14000	14000	-	4.48	100.69-100.78	6.6878-6.7184	38000
11	7.23% GS 2039	13000	13000	-	3.16	103.37-103.37	6.8590-6.8590	117000
12	6.79% GS 2031	10000	10000	-	2.75	100.00-100.00	6.7900-6.7900	10000
13	6.64% GS 2027	7000	7000	-	3.06	100.00-100.00	6.6400-6.6400	7000
14	6.79% SGrB 2034	5000	5000	3498	1.93	100.00-100.00	6.7900-6.7900	5000
15	6.98% SGrB 2054	5000	5000	-	3.03	100.00-100.00	6.9800-6.9800	5000
	Total	382000	382000	3498	2.99			



Auction Bidding

The sharp increase in average underwriting commissions charged by Primary Dealers (PDs) across maturities from mid-November reflected the growing uncertainty in the Indian G-Sec market. Underwriting commissions nearly tripled over the course of Q3-FY25, while the overall demand measured by the bid-to-cover ratio also declined. However, primary auctions were largely stable and the only instance of devolvement during the quarter was in the new 10Y SGrB reflecting the general lack of interest in the segment.

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)
		Competit ive	Non-Competi tive	Compe titive	Non-Competi tive	Comp etitiv e	Non-Competi tive						
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
Q1-FY25	378000	1125737	327	371675	325	33%	99%	3.0	-	6000	372000	1.59%	0.22
Q2-FY25	372000	1155059	448	367249	448	32%	100%	3.1	-	4303	367697	1.16%	0.06
Q3-FY25	382000	1067518	301	378201	301	35%	100%	2.8	3498	-	382000	0.92%	0.13

Maturity Profile of Outstanding G-Secs

RBI further elongated the maturity of central government borrowings, through buybacks as well as concentrating 38% of the issuances during the quarter in 30Y-50Y maturities. A new 30Y SGrB was also issued during Q3-FY25 to cater to long-term 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
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
Q1-FY25	111	105.03	12.80	7.29	3.99	23.29	30.47	14.94	15.70	11.61
Q2-FY25	112	108.10	12.89	7.27	3.99	21.81	33.27	13.69	15.02	12.22
Q3-FY25	117	109.89	13.24	7.26	3.21	22.75	33.12	12.50	15.48	12.95

*Excluding Special Securities

Short Term Borrowings

T-Bill cut-offs moved up in Q3-FY25 as the government resumed its short-term borrowings. Rates rose in December mirroring the tightening liquidity conditions. Amid the uncertainty in the G-Sec market, demand in 91-DTB auctions as measured in terms of the bid-to-cover ratio witnessed an uptick while the longer tenors witnessed a contraction in demand. The 91-DTB segment received strong bids in the non-competitive segment, resulting in average weekly issuances of ₹16288.14 crore as against the notified amount of ₹7000 crore.

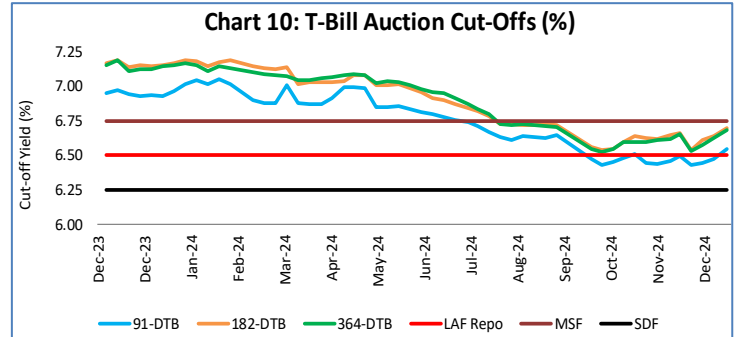
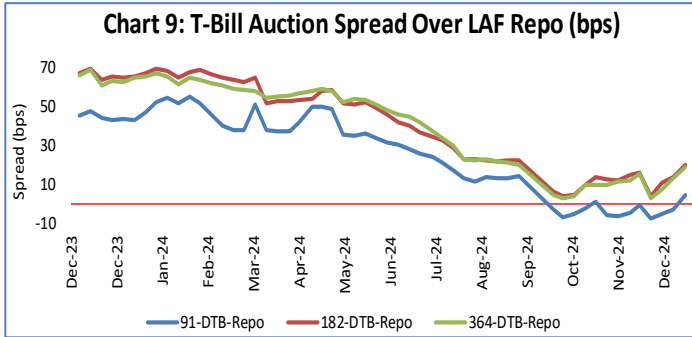


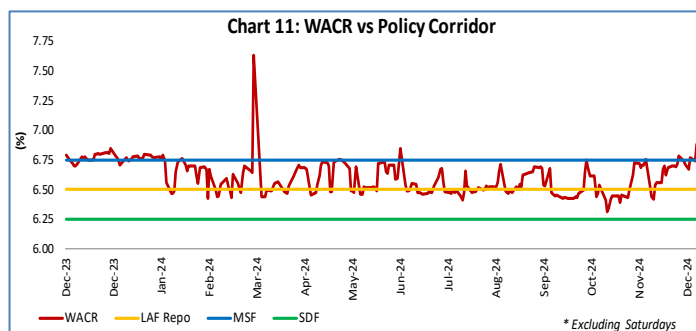
Table 5: Primary Treasury Bill Auctions

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)
Q3-FY24	91000	127351	175177	-47826	4.00	6.93	43
Q4-FY24	116000	135101	127351	7750	3.10	5.95	47
Q1-FY25	108000	169410	135101	34309	2.22	6.90	39
Q2-FY25	88000	171488	169410	2078	4.02	6.68	18
Q3-FY25	91000	211746	171488	40258	4.80	6.46	-3
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)
Q3-FY24	104000	111366	175593	-64227	2.93	7.14	64
Q4-FY24	160000	167708	116525	51183	2.74	6.81	66
Q1-FY25	73000	90884	111366	-20482	2.85	7.02	52
Q2-FY25	66000	76725	167708	-90983	3.50	6.78	28
Q3-FY25	78000	95389	90884	4505	2.94	6.59	11
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)
Q3-FY24	117000	122417	86531	35886	2.81	7.15	65
Q4-FY24	117000	123009	159431	-36422	3.79	6.76	62
Q1-FY25	80000	86579	113875	-27296	3.12	7.05	54
Q2-FY25	66000	76140	98186	-22046	4.77	6.79	29
Q3-FY25	78000	90456	122417	-31961	3.48	6.58	9

Detailed analysis of market borrowings by the State Governments is covered in the CCIL SDL Quarterly report available at: <https://www.ccilindia.com/web/ccil/india-sdl-quarterly>

Liquidity

Banking system liquidity tightened during Q3-FY25 due to tax outflows, increase in festival driven currency demand, build-up in government cash balances and increased interventions in the currency market on account of the volatility in capital flows. Despite durable liquidity injection of ₹4.28 lakh crore into the system from a two-phased reduction in the cash reserve ratio (CRR) in December as well as buybacks and redemption of dated central government and state bonds, RBI had to infuse liquidity through variable rate repo (VRR) auctions of various maturities across December. The weighted average call rate (WACR) remained closer to the MSF rate i.e., the higher band of the policy rate corridor throughout December, breaching it towards the end of the quarter.



Sovereign Debt Trading Activity

G-Sec trading declined in Q3-FY25 due to the tightening liquidity in the domestic banking system, increased global uncertainty following the US elections and selling by foreign participants amid rising US yields.

Table 6: Trading Summary - Government Bond Market (₹ Lakh Crore)

Period	Outright			Market Repo	TREP
	G-Sec	SDL	T-Bill		
Q3-FY24	23	2	4	88	213
Q4-FY24	27	3	4	94	206
Q1-FY25	32	2	5	98	205
Q2-FY25	38	3	4	98	234
Q3-FY25	32	2	3	92	250

Indices Movement

The movement of G-Sec yields during Q3-FY25 was largely rangebound, tracking the movement of US Treasury yields and geo-political events. While fading expectations and indications of a policy rate cut drove down prices in October, the results of the legislative elections and the liquidity injection by way of a phased cut in CRR provided the necessary push towards a downtrend in yields. Reflecting this, indices during the quarter witnessed nominal movement, though with a downward trend.

Table 7: Monthly Returns on CCIL Principal Return Indices (PRI)

Month	BROAD	LIQUID	CASBI	TENOR 1	TENOR 2	TENOR 3	TENOR 4	TENOR 5	SDL	TBILL (LIQ WEIGHT)
Jul-24	0.42%	0.56%	0.21%	0.39%	0.72%	0.42%	0.24%	0.01%	0.36%	0.47%
Aug-24	0.42%	0.50%	0.65%	0.15%	0.40%	0.52%	0.55%	0.87%	0.41%	0.42%
Sep-24	0.80%	0.94%	1.07%	0.25%	0.72%	0.96%	1.01%	1.33%	0.94%	0.46%
Oct-24	-0.57%	-0.66%	-0.72%	-0.27%	-0.61%	-0.46%	-0.76%	-0.99%	-0.45%	0.35%
Nov-24	-0.12%	0.08%	-0.38%	0.06%	0.10%	-0.24%	-0.49%	-0.62%	-0.12%	0.33%
Dec-24	0.04%	0.07%	0.06%	-0.06%	0.06%	0.01%	0.21%	0.06%	0.18%	0.31%

Yield Movement

The 10Y benchmark G-Sec yield witnessed a sharp dip in the first week of December following the release of significantly lower numbers for Q2-FY25 GDP growth that boosted expectations of monetary policy easing. With RBI continuing its pause on policy rates, G-Sec spreads over the LAF repo rate declined further. The India-US spreads also witnessed a sharp dip in December due to the US treasury yields moving upwards on account of the US Fed's hawkish commentary. Continued pressures on the Indian Rupee, rapidly dwindling domestic liquidity and selling by foreign participants amid rising US yields led to the entire Indian sovereign bond yield curve shifting up by end-December. Within the term structure, a sharper rise in long term rates resulted in the steepening of the yield curve. Real rates moved deeper into positive territory during Q3-FY25 on account of lower inflation readings and rising bond yields.

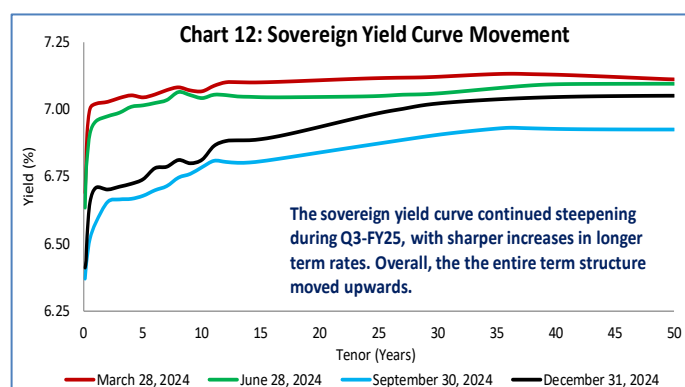
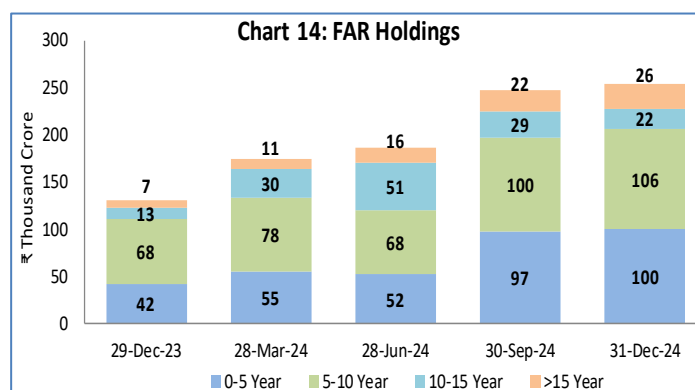
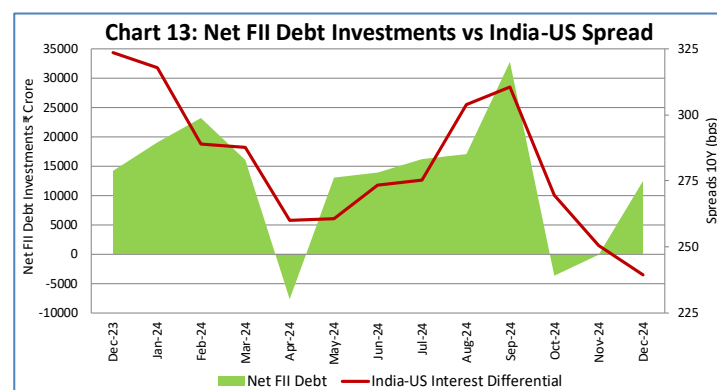


Table 8: Spread Behavior - Basis Points

Spread/Quarter	Q3-FY25	Q2-FY25	Q1-FY25	Q4-FY24	Q3-FY24
10Y-LAF Repo	31	42	59	64	81
10Y-1Y	23	18	7	3	19
10Y-3Y	10	12	2	8	6
10Y-5Y	6	9	0	6	5
15Y-10Y	6	2	3	4	6
40Y-10Y	20	11	10	9	16
10Y-CPI	116	271	219	212	194
LAF Repo-CPI	85	228	160	148	113
10Y-US10Y	253	296	265	299	287

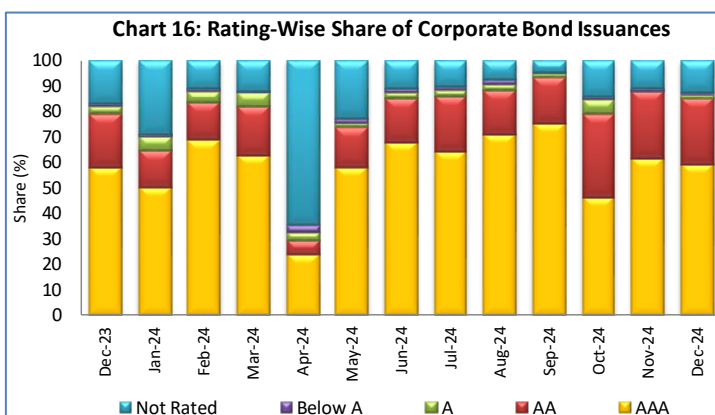
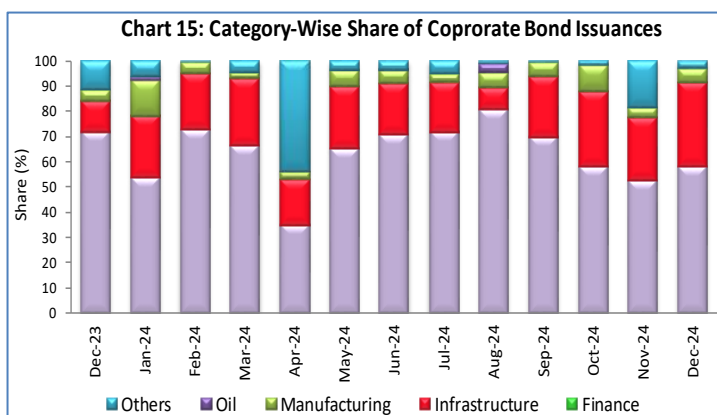
India - US Spread

Foreign inflows into the Indian G-Sec market witnessed a reversal during October and November with the sell-off worsening following the US Presidential election which has triggered a global uncertainty around near-term US monetary and trade policies. Constant pressure on the Indian Rupee and a sharp narrowing of the India-US interest rate differential, further weighed on foreign investments in the Indian debt market. With inflows in FAR bonds resuming in December on strengthening expectations of rate cuts, overall, Q3-FY25 witnessed a marginal growth of about 1.95% i.e., ₹5666.67 crore in FAR bond holdings by foreign investors. Foreign investors reduced their holdings in the 10Y-15Y segment, while increasing their positions in longer maturity bonds on expectations of a change in RBI's policy stance on indications of weakening growth and lower inflation readings.



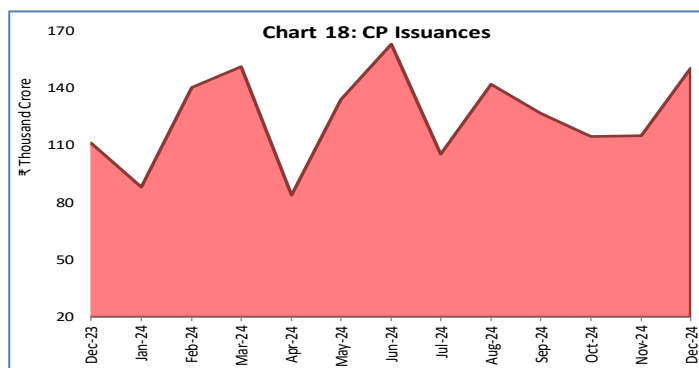
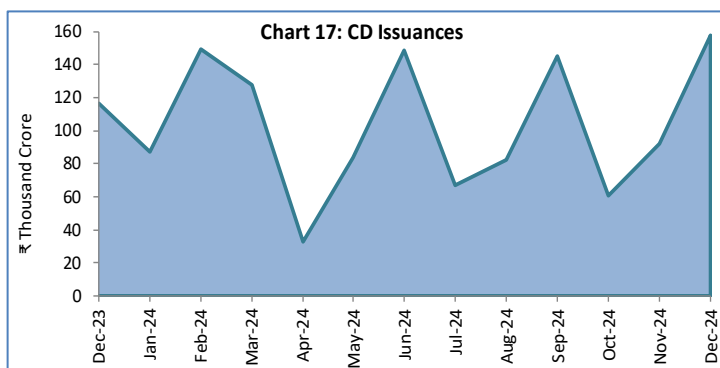
Corporate Borrowings

Primary market issuances by Indian corporates during Q3-FY25 continued their momentum, with particularly higher borrowings during December. Benign G-Sec yields and the higher anticipated borrowings by States in the last quarter of the fiscal led corporates to lock in their funding at lower rates. While NBFCs continued to dominate the borrowings with a share of 56%, infrastructure companies were also active participants in the primary market. In terms of ratings, there was some visible dispersion in the ratings of companies approaching the market, with the share of AAA rated corporates falling to 56% from 71% during Q2-FY25, while the share of AA rated corporates was at 28% as against 19% during the previous quarter.



Short-term Corporate Borrowings (CDs & CPs)

The liquidity deficit in the system through the quarter had its impact on banks' borrowings through Certificate of Deposits (CDs). Their issuances increased by around 6% q-o-q to ₹3.11 lakh crore reflecting constraints in accessing liquidity. As per trends, CD issuances rose during the last month of the quarter in line with the advance tax outflows. Commercial Paper (CP) issuances also regained their momentum with a growth of around 2% q-o-q as corporates increased their short-term market borrowings in the face of the liquidity deficit in the banking system.



Corporate Debt Trading Activity

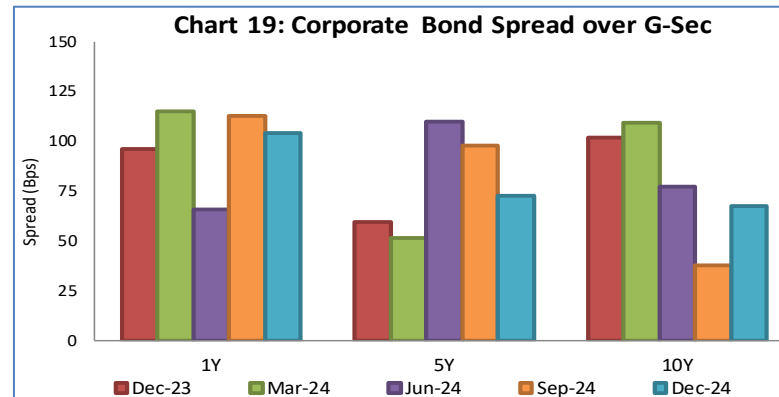
Secondary market trading in corporate bonds was 8% lower during Q3-FY25 as compared to the previous quarter. In line with the increased issuance of Infrastructure bonds, secondary market trading in these bonds increased significantly (by around 80% q-o-q), while there was a decline in trading of bonds issued by companies in the finance and other sectors. Trading in CDs grew by almost 50% over the previous quarter, while there was a slight (5% q-o-q) increase in demand for CPs.

Table 9: Trading Activity in Corporate Debt Market (₹ Crore)

Quarter	Corporate Bonds	Certificates of Deposit	Commercial Papers	Corporate Bond Repo
Q3-FY24	270882	230267	188161	16408
Q4-FY24	335923	342272	205715	31130
Q1-FY25	297124	302997	188603	52265
Q2-FY25	393759	306810	222243	63204
Q3-FY25	363649	453386	232582	80793

Corporate Bond Spreads

AAA corporate bond spreads have narrowed in the short term and widened across the longer tenors. Largely stable G-Sec yields, amidst stable demand for corporate papers led to a drop in secondary market yields of corporate papers. With the quarter end demand largely dominated by securities at the short end, there was a widening of spreads towards the long end of the curve.



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