

## Market Minutes

### 1) Minor hawkish tinge to MPC minutes, inflation under watch

RBI minutes released on Friday, 22 Oct '21 were largely on expected lines with a minor hawkish tinge from a couple of RBI committee members. Almost all members expressed concern on inflationary pressures, nevertheless most of the members highlighted the need for accommodation to nurture a growth recovery. Governor highlighted the need for monetary policy to be well telegraphed and non-disruptive, however some of the members and external MPC member highlighted need for monetary policy to be agile given dynamically changing global environment and need for policy to be untangled from pre-commitments. It was also highlighted the need for calibration of liquidity surplus.

#### Inflation

Vegetable prices have started to move up sharply in October '21. Inflation is likely to have bottomed out in September '21. In our view, Oct - Dec '21 quarter is likely to well exceed RBI estimate while Jan - Mar '22 average is likely to be in line with RBI's estimate at an elevated 5.8%.

### 2) Debt market update

#### G-Sec curve

Markets started 4<sup>th</sup> week on a weaker note, post rise in crude prices. Subsequently markets recovered some ground, especially at the 10 - 14 year and beyond and 6 - 9 year part of the curve, with some expectation building up of possible OMO (though none was announced). On Friday, 22 Oct '21 yields again inched up giving away some of the recovery. Shorter end of the curve (1 - 3 year) continued to drift upwards through the week with not much recovery. Overall for the week, 10 years was higher by 3.5 bps at 6.36%, 14 years by 5 bps to 6.84%, 5 years by 6 bps to 5.73% while 1 - 3 years G-sec was higher by 10-15 bps. On a 1-month basis, 5 years has been best performing segment rising by only 8 bps while short end 1-3 year has risen by 20-30 bps while 10-14 year segment and 30 year have risen by ~ 15-20 bps

#### Corporate segment

On the corporate side, we saw a similar drift upwards in the early part of the week by 5 - 8 bps in the shorter end and ~5 bps in the longer end. Towards the end of the week, we saw recovery in the 10 year corporate bonds and to some extent in 5year segment as well, thereby closing the week flat in terms of yields while 1 - 3 year space traded range bound after the initial spike up and closed 5 - 6 bps higher. 10 year corporate bonds in terms of spreads have narrowed to 45 bps.



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