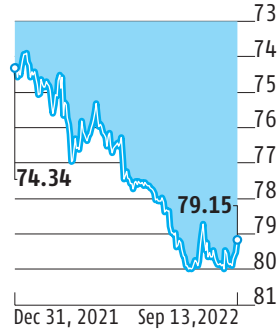


# Bond yields drop, ₹ gains 38 paise against \$

## RUPEE SPOT

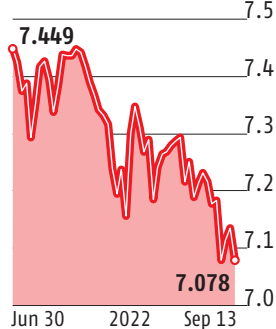
Inverted scale

₹ vs \$



## INDIA'S 10-YR G-SEC YIELD

%



Source: Bloomberg

**BHASKAR DUTTA**

Mumbai, 13 September

Government bonds and the rupee strengthened sharply on Tuesday as optimism over the prospect of Indian sovereign debt being included in a global bond index spurred hefty overseas investment in domestic assets, dealers said.

The rise in bond prices came despite an increase in consumer price index inflation, which strengthens the case for the Reserve Bank of India to continue tightening monetary policy.

A sharp decline in the dollar index in anticipation of falling US inflation also bolstered the domestic currency, which racked up its largest single-day gain since July 27. Yield on the 10-year benchmark bond settled at 7.08 per cent as against 7.14 per cent at previous close. Bond prices and yields move inversely. A fall of 1 basis point in the yield on the 10-year paper corresponds to a rise in price of roughly 7 paise.

The rupee closed at 79.15 per US dollar as against 79.53 per dollar at previous close. So far in 2022, the domestic currency has

weakened 6.07 per cent against the US dollar.

Speculation of Indian sovereign debt being included in a global bond index has been growing since mid-August as several global financial firms such as Goldman Sachs have expressed favourable views on the process.

Inclusion in a global bond index is estimated to attract around \$30 billion worth of flows in a year, significantly improving demand-supply dynamics for bonds and helping the government finance its fiscal deficit.