

# Govt bonds, ₹ weaken after US CPI data

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Mumbai, 14 February

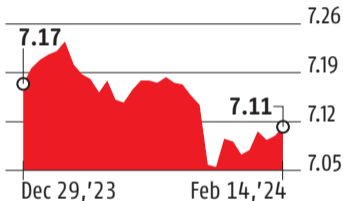
Government bonds and the rupee weakened on Wednesday after the higher-than-expected US CPI data for January, which came in at 3.1 per cent, against the expectation of 2.9 per cent.

The 10-year benchmark government bond yield settled at 7.11 per cent, against 7.10 per cent on Tuesday. The rupee settled at ₹83.03 per dollar, against ₹83.01 on Tuesday.

The Indian currency weakened to 83.11 during the day. However, it recovered by the end of trade on the back of inflows. The benchmark bond yield rose up to 7.13 per cent

## TAKING A HIT

India 10-yr g-sec bond yield (%)



Source: Bloomberg

during the day.

“The rupee experienced volatility, opening lower at 83.09, down by 10 paise, following higher-than-expected CPI data. However, the

Indian capital market staged a strong recovery, with banking stocks rebounding by 2 per cent, particularly state-run banks, providing solid support to the rupee. Broadly, the rupee's range continues between ₹82.80 and ₹83.30 a dollar,” said Jateen Trivedi, VP Research Analyst at LKP Securities.

The yields on government bonds of shorter tenures rose more as compared to longer tenure bonds because of liquidity deficit within the system, said market participants.

The liquidity deficit in the banking system stood at ₹2.04 trillion on Tuesday, according to data by the Reserve Bank of India (RBI).