

## Weekly borrowing and liquidity monitor

- **For the week ending 24 June 2022, the central government borrowed INR 330bn with no devolvement on the primary dealers and no additional borrowing through greenshoe.**
- **In the SDL auction held on 28 June 2022, nine states raised an aggregate amount of INR 195bn, with Gujarat raising an additional amount of INR 5bn via greenshoe.**
- **States borrowed an aggregate of INR 1.1tn in Q1FY23 via SDLs, 58% of the calendar estimated amount.**
- **Systemic liquidity as on 28 June 2022 stood at a surplus of INR 2.25tn. In the last seven days, the average total absorption (SDF + VRRRs) stood at INR 3.43tn.**

### Highlights of the central borrowing:

**Weekly Auction:** In the G-Sec auction of 24 June 2022, the centre raised INR 330bn with no devolvement on PDs and no additional borrowing through greenshoe option. During FYTD23, 10-year segment accounted for the largest share of the gross market borrowing at 20% with weighted average yield (WAY) at 7.34%, followed by 15% share for 14-year segment with WAY at 7.55%. Auction bid-to-cover ratio stood unchanged at 2.6.

Gross issuances as on date stood at INR 3.90tn vs. INR 3.18tn in the same period last year, up by 22%. The weighted average borrowing cost sequentially decreased to 7.40% vs. 7.61% in the auction before. Global economic slowdown concerns, elevated Brent oil prices and higher supply will continue to act as bearish factors for the domestic bond markets. However, MPC's rate hiking path may not as aggressive as compared to the other DM nations, as indicated by the Members in the recent media interactions, will support the yields to some extent. We expect the 10-year benchmark to trade in a range of 7.4-7.65% in the near term.

### Highlight of state borrowing:

**Weekly Auction:** The SDL auction of 28 June 2022 saw nine states raise an aggregate of INR 195bn from the market, as against the borrowing plan of INR 190bn according to the borrowing calendar for the week, with Gujarat accepting an additional amount of INR 5bn in the 10-year tenor, via greenshoe. The bid-to-cover ratio was 2.1 to 5.4 vis-à-vis 3.3 to 5.9 during the previous auction. The weighted average cost of borrowing across all states and tenors rose by nearly 4bps to 7.88% as against the previous auction, while the cost of borrowing via 10-year segment, across all states, fell marginally by 0.5bps to 7.85%.

Gross issuance in Q1FY23 stands at INR 1102.4bn as opposed to INR 1445.5bn during same period last year, lower by 24%, while it was 58% of the estimated borrowing of INR 1903.8bn during the quarter. While 8 states were initially barred from borrowing from the market during the quarter due to regulatory requirements, Assam, Madhya Pradesh and Nagaland were allowed to, later, with Madhya Pradesh doing so this week and five of the 23 states have not raised any funds from the market during the quarter. The bulk of the borrowing has been done by 2 states, Maharashtra (27%) and Andhra Pradesh (20%), while top 5 states account for 73% of the funds raised from the market while 28% of the SDLs fall into the 10-year tenor segment.

### Highlight of liquidity:

Systemic liquidity as on 28 June 2022 stood at a surplus of INR 2.25tn. In the last seven days, the average total absorption (SDF + VRRRs) stood at INR 3.43tn. The banks are parking on an average INR 1.98tn through VRRR (14-day: INR 1.65tn + 28-day: INR 334.5bn) window and INR 1.44tn via SDF window in the last seven days. The average share of SDF (as a % of total absorption) declined from 55% to 42% in last seven days, at the same time the share of VRRRs increased from 45% to 58%. The average WACR and WATR increased to 4.65% (vs. 4.44% in the last seven days) and 4.74% (vs. 4.64% in the last seven days). As liquidity continue to remain in surplus we see the overnight rates near to the lower-end of the LAF corridor.

**Table 1: Quarterly summary of G-sec issuances\*:**

INR bn	FY20	FY21	FY22	FY23 calendar	FYTD23	% of Scheduled Borrowing
Q1	2210	3460	3185	3900	3900	100.0
Q2	2210	4200	3839	4550	-	-
Q3	1920	2840	2950	-	-	-
Q4	760	3203	1300	-	-	-
FY issuances	7100	13703	11274	14300		

\*Total issuances include market borrowings and devolvement to PDs

**Table 2: Quarterly summary of SDL issuances\*:**

INR tn	FY20	FY21	FY22	FY23 calendar	FYTD23	% of Scheduled Borrowing
Q1	815	1,673	1,446	1,904	1,102	57.9
Q2	1,439	1,863	1,644	-	-	-
Q3	1,619	2,023	1,573	-	-	-
Q4	2,471	2,430	2,353	-	-	-
FY issuances	6,345	7,988	7,016		1,102	

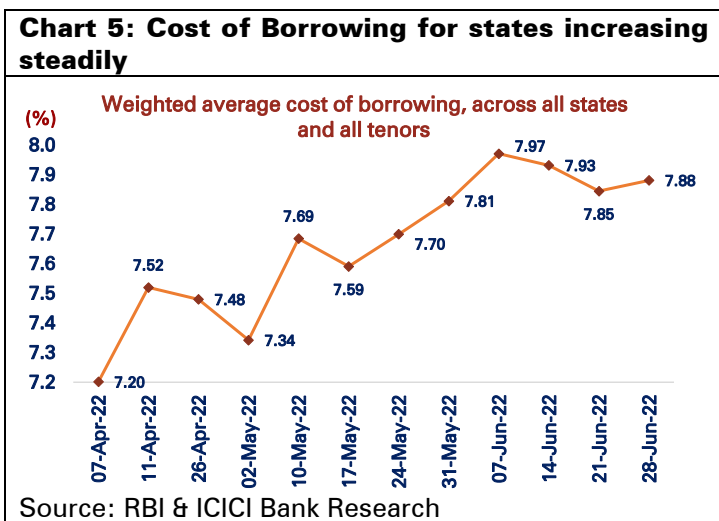
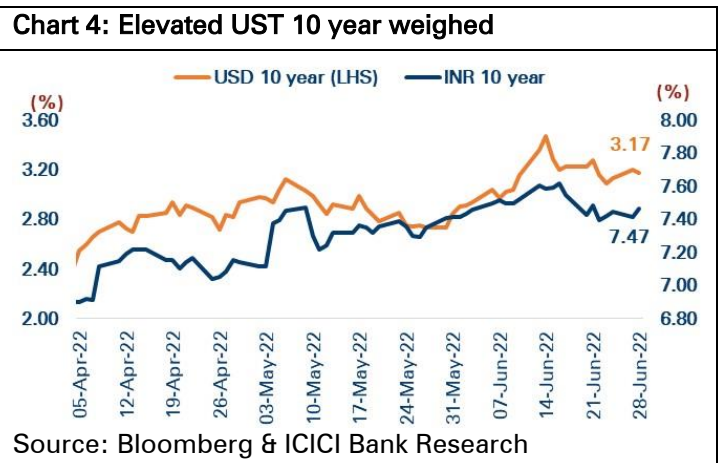
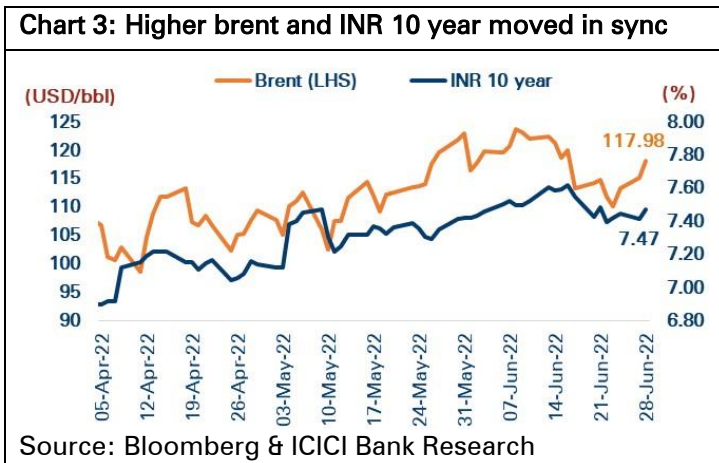
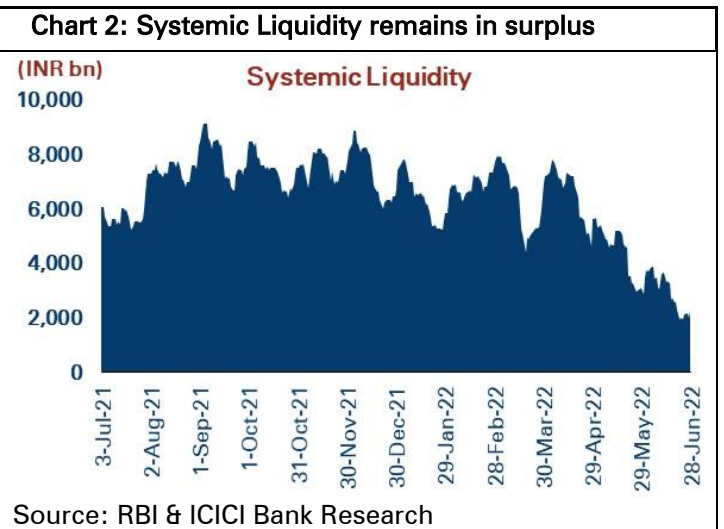
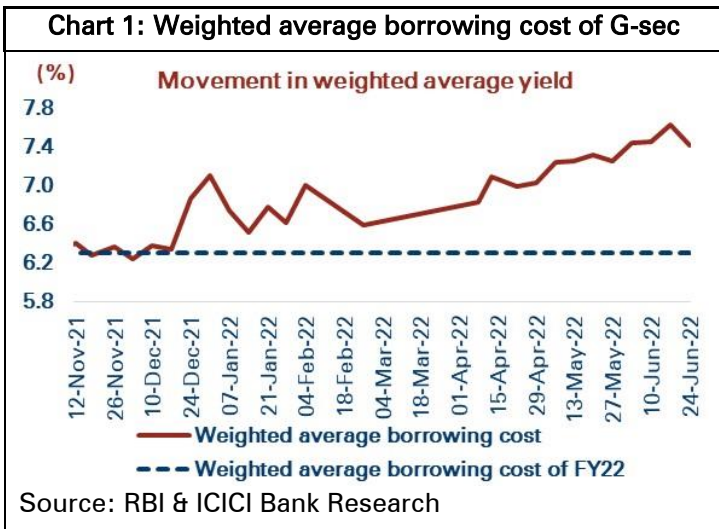
\*Total issuances include market borrowings and devolvement to PDs

**Table 3: Weekly Auction of G-Secs as on 24 June:**

Security	Tenor	Notified Amount (INR bn)	Amount Issued (INR bn)	Devolvement to PDs (INR bn)	Greenshoe Issuance (INR bn)	YTM (%)	Bid to Cover	Bid Received (INR bn)
New GS 2024	2	40	40	-	-	6.69	2.8	110.3
7.10% GS 2029	7	70	70	-	-	7.37	1.9	133.4
6.54% GS 2032	10	130	130	-	-	7.43	2.3	295.6
6.95% GS 2061	40	90	90	-	-	7.71	3.5	318.6

**Table 4: Issuances in SDL auction held on 28 June (INR bn):**

Security	Tenor	Notified Amount	Actual Issuance	Greenshoe issuance	YTM	Bid to Cover
Andhra Pradesh 2033	11	5	5	-	7.93	4.8
Andhra Pradesh 2034	12	5	5	-	7.94	5.2
Andhra Pradesh 2038	16	5	5	-	7.95	3.6
Andhra Pradesh 2039	17	5.0	5.0	-	8.0	3.5
Andhra Pradesh 2040	18	5.0	5.0	-	8.0	3.9
Andhra Pradesh 2042	20	5.0	5.0	-	7.9	4.2
Assam 2027	5	5.0	5.0	-	7.5	4.7
Assam 2032	10	5.0	5.0	-	7.9	4.8
Gujarat 2032	10	10.0	15.0	5.0	7.8	5.4
Haryana 2032	10	20.0	20.0	-	7.9	3.8
Haryana 2034	12	20.0	20.0	-	7.9	2.7
Madhya Pradesh 2032	10	20.0	20.0	-	7.9	4.1
Rajasthan 2047	25	10.0	10.0	-	7.8	2.4
Tamilnadu 2052	30	20.0	20.0	-	7.8	3.6
Telangana 2034	12	10.0	10.0	-	7.9	4.8
Telangana 2035	13	10.0	10.0	-	7.9	3.8
Telangana 2036	14	10.0	10.0	-	7.9	3.6
West Bengal 2037	15	20	20	-	7.96	2.1



**Chart 6: Weekly market snapshot**

Securities	22-06-2022	28-06-2022
Gsec 10Y	7.40	7.47
Gsec 2Y	6.54	6.55
OIS 5Y	6.94	6.99
OIS 1Y	6.40	6.38
USD 10Y	3.16	3.17
USD 2Y	3.06	3.11
Brent (USD/bbl)	111.7	118.0

Source: Bloomberg & ICICI Bank Research

ICICI Bank: ICICI Bank Towers, Bandra Kurla Complex, Mumbai- 400 051. Phone: (+91-22) 2653-1414

<b>Economics Research Group</b>		
<b>Economics Research</b>		
Sameer Narang	Head - Economic Research Group	<a href="mailto:sameer.narang@icicibank.com">sameer.narang@icicibank.com</a>
Shivom Chakravarti	Senior Economist - Global Markets	<a href="mailto:shivom.chakravarti@icicibank.com">shivom.chakravarti@icicibank.com</a>
Dr. Sudarshan Bhattacharjee	Senior Economist - Domestic Markets	<a href="mailto:sudarshan.bhattacharjee@icicibank.com">sudarshan.bhattacharjee@icicibank.com</a>
Debomitra Sen	Research analyst	<a href="mailto:debomitra.sen@icicibank.com">debomitra.sen@icicibank.com</a>
Kaushalkumar Aryan	Research Analyst	<a href="mailto:kaushalkumar.aryan@icicibank.com">kaushalkumar.aryan@icicibank.com</a>
Aniket Gaikwad	Research Analyst	<a href="mailto:aniket.gaikwad@icicibank.com">aniket.gaikwad@icicibank.com</a>
Asha Sasikumar	Research Analyst	<a href="mailto:asha.sasikumar@icicibank.com">asha.sasikumar@icicibank.com</a>
Jyoti Sharma	Research Analyst	<a href="mailto:sharma.jyoti@icicibank.com">sharma.jyoti@icicibank.com</a>
Tanisha Ladha	Research Analyst	<a href="mailto:tanisha.ladha@icicibank.com">tanisha.ladha@icicibank.com</a>
Nihal Kumar	Research Analyst	<a href="mailto:nihal.kumar@icicibank.com">nihal.kumar@icicibank.com</a>
Aditya Sharma	Research Analyst	<a href="mailto:sharma.adi@icicibank.com">sharma.adi@icicibank.com</a>
Dhairya Modi	Research Analyst	<a href="mailto:dhairya.modi@icicibank.com">dhairya.modi@icicibank.com</a>

<b>Treasury Desks</b>			
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