

## Weekly borrowing and liquidity monitor

- **For the week ending 13 May 2022, the total weekly borrowing of the central government was INR 330bn, with no devolvement to the primary dealers and no additional borrowing through the greenshoe option.**
- **In the SDL auction held on 17 May 2022, Andhra Pradesh, Maharashtra and Rajasthan raised INR 20bn, INR 50bn and INR 15bn respectively, with no greenshoe or devolvement.**
- **Systemic liquidity as on 17 May 2022 stood at a surplus of INR 5.04tn. RBI held a 28-day VRRR on 17 May and absorbed system liquidity to the tune of INR 337.1bn at 4.39% cut-off rate.**

### Highlights of the central borrowing:

**Weekly Auction:** In the G-Sec auction of 13 May 2022, the Centre raised INR 330bn with no devolvement on PDs and no additional borrowing through greenshoe. Borrowing amount and tenor mix were as per the H1FY23 issuance calendar. During FYTD23, 10-year segment accounted for 20% of the total gross borrowing with weighted average yield (WAY) at 7.25%, followed by 15% share for 14-year segment with WAY at 7.43%. Auction bid-to-cover ratio stood at 2.7 vs. 2.4 in the previous auction.

Gross issuances during FYTD23 stood at INR 1.95tn vs. INR 1.46tn in the last year same period, up by 33%. The weighted average borrowing cost remained flat, with a marginal increase of 1 basis point, to 7.25% as compared to the previous auction. Bond market awaits the minutes of MPC's off-cycle meet, which is expected to provide the cues for MPC's inflation assessment and its future action path to fight the incipient inflationary pressures. Inflation overshoot the upper level of RBI's tolerance band for a fourth straight month in April. Additionally, hawkish commentary from US Fed raising concerns over aggressive rate hikes and elevated crude prices will continue to keep the bond prices under pressure.

### Highlight of state borrowing:

**Weekly Auction:** The SDL auction of 17 May 2022 saw Andhra Pradesh, Maharashtra and Rajasthan raise INR 20bn, INR 50bn and INR 15bn respectively. The bid-to-cover ratio was 4.1 to 8.4 vis-à-vis 3.7 to 7.4 during the previous auction. The weighted average cost of borrowing across all states and tenors was 7.59%, a fall of 9bps from the previous auction, due to tenor mix.

The gross borrowing during FYTD23 stands at INR 308.9bn as opposed to INR 482bn during last year same period, down by 36%. According to borrowing calendar for Q1FY23, states were estimated to borrow INR 936.5bn in FYTD23, the actual issuances stands 67% lower than what was estimated in the calendar.

Only 5 states (namely Maharashtra, Andhra Pradesh, Haryana, Punjab & Rajasthan) have borrowed from the market so far during FY23; of them Maharashtra and Andhra Pradesh account for 76% of the funds raised from the market. There has been no greenshoe issuances during Q1FY23

### Highlight of liquidity:

Systemic liquidity as on 17 May 2022 stood at a surplus of INR 5.04tn. RBI held a 28-day VRRR on 17 May and absorbed system liquidity to the tune of INR 337.1bn at 4.39% cut-off rate. The previous 28-day VRRR got matured on the same day releasing INR 500.1bn liquidity. Total absorption increased from INR 6.12tn as on 10 May to INR 6.53tn as on 17 May. Simultaneously, the amount parked under SDF window also inched up to INR 2.81tn from INR 2.23tn as on 10 May. RBI's focus to mop up excess surplus liquidity will continue to weigh on the shorter-end of the curve, while the longer-end will see higher supply pressure. We see rates across the curve going upwards due to further rate hikes, liquidity tightening measures by the RBI and supply of government bonds.

**Table 1: Monthwise summary of Gross G-Sec and SDL issuances\*:**

INR bn	G-sec			SDL		
	FY21	FY22	FY23	FY21	FY22	FY23
April	390	1020	1300	593	92	95
May	1390	1086	650	480	506	214
June	1360	1079	--	601	849	--
July	1680	1565	--	476	493	--
August	1340	1115	--	556	607	--
September	1200	1159	--	831	545	--
October	1170	1200	--	742	594	--
November	740	720	--	632	435	--
December	1000	1030	--	648	544	--
January	1192	965	--	558	795	--
February	1109	335	--	796	728	--
March	1132	--	--	1076	830	--
<b>Total</b>	<b>13703</b>	<b>11274</b>	<b>1950</b>	<b>7988</b>	<b>7016</b>	<b>309</b>

\*Total issuances include market borrowings and devolvement to PDs

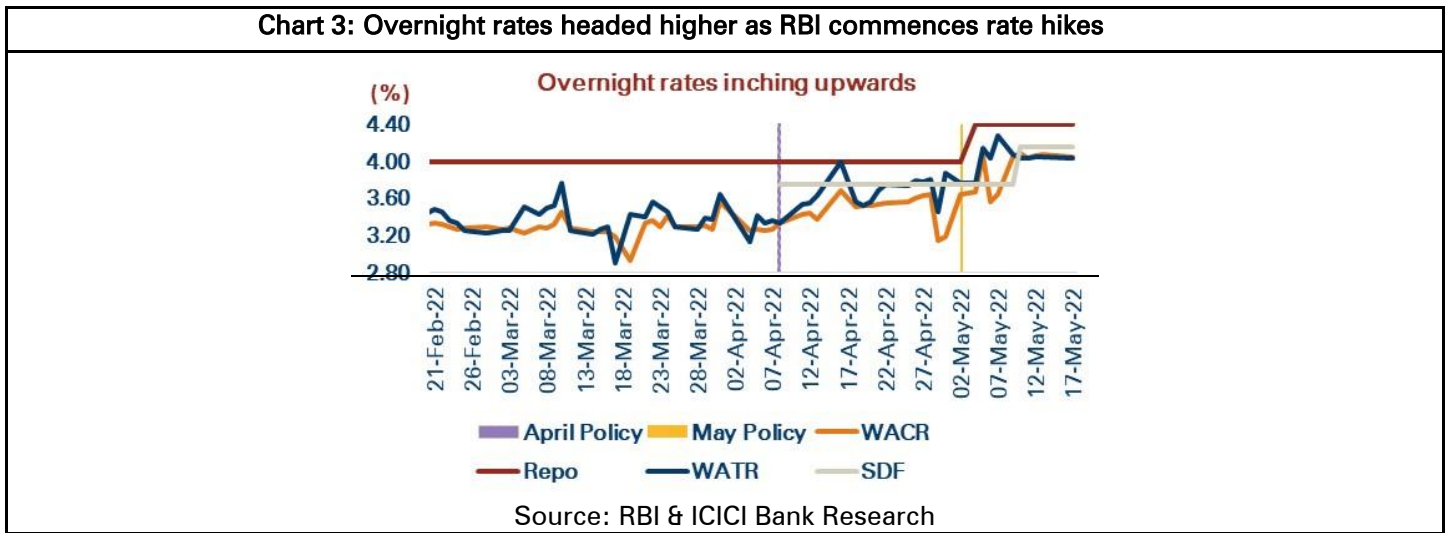
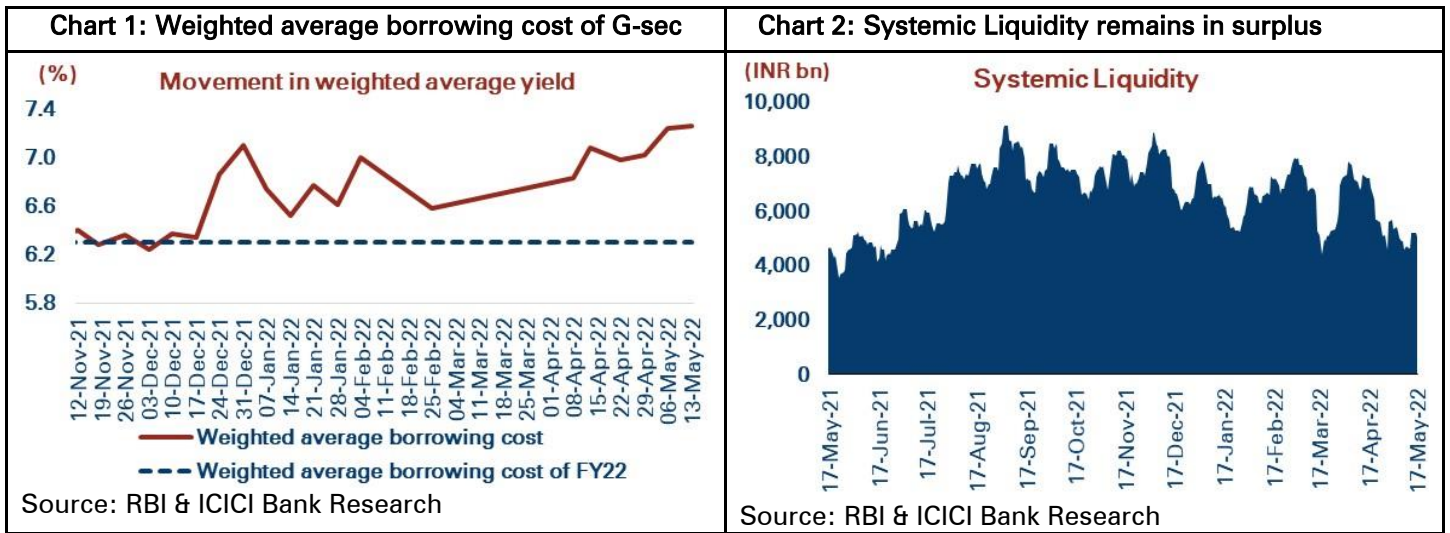
**Table 2: Weekly Auction of G-Secs as on 13 May:**
**Weekly Auction: 13 May**

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)
4.56% GS 2023	2	40	40	-	-	6.15	3.0	120.7
7.10% GS 2029	7	70	70	-	-	7.24	2.8	199.2
6.54% GS 2032	10	130	130	-	-	7.33	2.2	284.9
6.95% GS 2061	40	90	90	-	-	7.63	3.1	274.6

**Table 3: Weekly Auctions of SDL as on 17 May (INR bn):**

Security	Tenor	Notified Amount	Actual Issuance	Greenshoe issuance	YTM	Bid to Cover
Andhra Pradesh 2027	5	10.0	10.0	-	7.5	4.5
Andhra Pradesh 2030	8	10.0	10.0	-	7.6	5.5
Maharashtra 2029	7	30.0	30.0	-	7.6	4.1
Maharashtra 2030	8	20.0	20.0	-	7.6	5.7
Rajasthan 2026	4	5.0	5.0	-	7.3	6.2
Rajasthan 2032	10	10.0	10.0	-	7.7	8.4

### G-sec borrowing cost and systemic liquidity:



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