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Debt Market Quarterly

Q2-FY27 · July – September 2026

THE QUARTER IN BRIEF

A volatile quarter, a resilient economy

7.80%
Real GDP growth in Q1-FY27

5.50%
Policy LAF repo rate after the October hike

>7%
Benchmark 10-year G-Sec yield

33 bps
Average rise across the G-Sec curve

The re-escalation of the West Asia crisis pushed up crude oil and transport costs. Rising WPI and a deficient monsoon raised concerns that inflation is generalizing, with headline CPI moving closer to the upper end of the MPC's tolerance band. Foreign selling and high oil prices weighed on the rupee.

Source: CCIL Debt Market Quarterly, July – September 2026

MONETARY POLICY

The MPC raised the repo rate and turned to calibrated tightening

+25 bps

October hike in the policy LAF repo rate, to 5.50%

Calibrated tightening

The new policy stance adopted at the October meeting

Higher FY27 forecasts

Both the GDP growth and retail CPI inflation forecasts were raised

Liquidity absorption measures, stronger rate hike expectations and a sharp jump in global yields pushed the 10-year G-Sec yield above 7%. Downside risks from elevated energy and food prices and broadening inflationary pressures have strengthened.

Source: CCIL Debt Market Quarterly, July – September 2026

MARKET BORROWINGS

Q3-FY27 carries the heaviest supply

₹7.86 lakh crore	Planned dated G-Sec borrowing in H2-FY27, 49% of the year's total
₹4.31 lakh crore	Around 55% of H2 borrowing is planned for Q3-FY27
₹83,909 crore	Planned weekly issuances in Q3-FY27, combining G-Secs, SGS (about ₹3.61 lakh crore for the quarter) and weekly T-Bills of ₹23,000 crore

Demand for longer maturities and RBI's OMO sales in shorter tenors, to neutralize FCNR(B) inflows, lengthened the weighted average maturity of G-Sec borrowings by about 13 months to 17.99 years in H2-FY27.

Source: CCIL Debt Market Quarterly, July – September 2026

PRIMARY AUCTIONS: DATED G-SECS

Auctions were smooth, bar one partial rejection

Period	Notified (₹ cr)	Gross (₹ cr)	Redemptions (₹ cr)	Net (₹ cr)
Q2-FY26	394,000	394,000	108,791	285,209
Q3-FY26	366,000	355,000	98,178	256,822
Q4-FY26	311,000	311,000	131,250	179,750
Q1-FY27	408,000	408,000	159,912	248,088
Q2-FY27	412,000	405,506	112,344	293,162

16.06 years

Weighted average maturity, down from 17.28 years in Q1-FY27

6.93%

Weighted average coupon, up from 6.80% as short-term yields rose

₹6,494 crore

Shortfall after partial rejection of 3-year bids on September 11

Source: CCIL Debt Market Quarterly, July – September 2026

SECURITY DETAILS

₹4.06 lakh crore raised across 13 securities

Security	Gross (₹ cr)	Bid cover	Cut-off yield (%)
6.94% GS 2036	136,000	2.46	6.7275 – 7.1450
7.06% GS 2041	51,000	2.54	7.0600 – 7.2305
6.36% GS 2031	42,000	2.62	6.3647 – 6.4218
7.43% GS 2076	33,000	2.55	7.5674 – 7.6863
7.71% GS 2066	33,000	3.11	7.4543 – 7.6618
6.57% GS 2033	22,000	2.64	6.5700 – 6.8703
All 13 securities	405,506	2.61	–

Six largest of 13 securities shown. Five new securities were added for the 3-, 5-, 7-, 15- and 30-year maturities. No devolvement on PDs.

Source: CCIL Debt Market Quarterly, July – September 2026

AUCTION BIDDING

Underwriting commissions tracked oil prices

Period	Bids received (₹ cr)	BCR	Bids rejected (₹ cr)	Avg commission (paise per ₹100)
Q2-FY26	1,155,600	2.9	–	0.59
Q3-FY26	1,005,579	2.7	11,000	0.26
Q4-FY26	813,393	2.6	–	0.81
Q1-FY27	1,095,955	2.7	–	1.32
Q2-FY27	1,056,485	2.6	6,494	0.56

Commissions hit their highest since May 22 at the September 11 auction, as oil reached its highest since May 19 and global yields jumped. They then eased once RBI partially rejected bids rather than devolving the issuance onto PDs.

Source: CCIL Debt Market Quarterly, July – September 2026. Bids received are competitive bids.

MATURITY PROFILE OF OUTSTANDING G-SECS

Stock grew to ₹127.27 lakh crore

Period	Securities	Outstanding (₹ lakh cr)	WAM (years)	WAC (%)
Q2-FY26	119	117.12	13.60	7.20
Q3-FY26	119	119.70	13.61	7.19
Q4-FY26	122	121.84	13.69	7.17
Q1-FY27	122	124.33	13.93	7.17
Q2-FY27	124	127.27	13.76	7.15

24% Share of 29–50 year bonds in Q2-FY27 issuances, a decline

46% Share of 10–15 year bonds, nearly half of issuances

Source: CCIL Debt Market Quarterly. Excludes special securities.

SHORT-TERM BORROWINGS

T-Bill cut-offs diverged along the curve

Tenor	Gross (₹ cr)	Net (₹ cr)	BCR	Yield Q2 (%)	Yield Q1 (%)	Spread (bps)
91-DTB	243,850	23,081	3.68	5.30	5.33	6
182-DTB	134,223	−10,187	2.68	5.63	5.54	38
364-DTB	106,174	17,867	2.67	5.83	5.76	58

Easing liquidity pulled 91-day cut-offs lower until mid-September, while rate hike expectations lifted 182- and 364-day cut-offs. Average spreads over the LAF repo rose by about 3 bps from Q1-FY27, and demand for longer T-Bills fell further amid rising uncertainty.

Yield = weighted average cut-off yield. Spread = average spread over the LAF repo rate, Q2-FY27.

Source: CCIL Debt Market Quarterly, July – September 2026

LIQUIDITY

Surplus liquidity built up, then tapered

$133 billion

FCNR(B) deposits mobilized under RBI's special forex swap facility

₹2 lakh crore

Durable liquidity from CGS and SGS redemptions and buybacks

₹1 lakh crore

OMO sale auctions in September 2026 to absorb liquidity

−7 bps

Average spread of the WACR over the LAF repo in Q2-FY27

Liquidity rose to its highest since the Covid-19 era, holding the WACR near the SDF floor until mid-September. OMO sales, tax outflows and festive currency demand then pulled it towards the repo rate.

Source: CCIL Debt Market Quarterly, July – September 2026

SOVEREIGN DEBT TRADING ACTIVITY

Bond trading thinned while TREP surged

Period	G-Sec	SGS	T-Bill	Repo	TREP
Q2-FY26	34	2	4	120	258
Q3-FY26	35	2	4	127	266
Q4-FY26	31	3	4	106	274
Q1-FY27	38	2	4	105	292
Q2-FY27	37	2	4	113	306

₹ lakh crore. G-Sec, SGS and T-Bill are outright trades; Repo is market repo.

Why activity thinned

- Gradual foreign exit after FAR bonds missed Bloomberg's global index
- A prolonged West Asia conflict and an erratic monsoon
- Hawkish August MPC minutes
- Expectations of durable liquidity absorption

Source: CCIL Debt Market Quarterly, July – September 2026

YIELD MOVEMENT

The G-Sec curve rose 33 bps on average

33 bps

Average rise across the curve up to 50 years, sharper in short to medium tenors that ended above end-March 2026 levels

40 bps

Jump in benchmark yields after the August 14 FCNR(B) closure announcement and the August 19 MPC minutes

Spread (bps)	Q2-FY27	Q1-FY27
10Y – LAF repo	165	174
10Y – 1Y	112	126
10Y – 3Y	56	61
10Y – 5Y	34	28
50Y – 10Y	68	65
10Y – US 10Y	215	255
LAF repo – CPI	32	130

Quarterly averages. Higher inflation pulled down real rates.

Source: CCIL Debt Market Quarterly, July – September 2026

FOREIGN INVESTMENT IN INDIAN DEBT

Foreign investors pulled back from FAR bonds

The June–July boost reversed after FAR bonds missed Bloomberg's Global Aggregate Index. Higher global yields narrowed the India–US 10-year spread to 215 bps from 255 bps in Q1-FY27, with outflows across FAR except the new longer-maturity bonds.

FAR holdings	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
0–5 years	109	124	123	153	149
5–10 years	121	115	119	133	132
10–15 years	27	26	28	31	28
Over 15 years	45	43	43	49	52
Total	302	308	313	366	361

₹ thousand crore, read from the report's FAR holdings chart; totals are sums of the buckets.

SHORT-TERM CORPORATE BORROWINGS: CDS AND CPS

CD and CP issuance diverged

127 bps
Spread of new CD issues over the LAF repo

165 bps
Spread of new CP issues over the LAF repo

+146%
Corporate bond repo trading volume, year on year

Quarter	CD	CP	Bond repo
Q2-FY26	408,625	308,817	179,770
Q3-FY26	471,038	269,972	223,936
Q4-FY26	721,732	287,234	291,811
Q1-FY27	681,812	360,038	389,305
Q2-FY27	653,307	352,733	442,859

Trading activity, ₹ crore

- CD issuance fell on better liquidity and FCNR(B) inflows; CP gained from cheaper short-term funding
- Private sector banks were the largest net buyers of CDs, NBFCs of CPs; mutual funds were net sellers in both

Source: CCIL Debt Market Quarterly, July – September 2026

LOOKING AHEAD

Three things to watch in Q3-FY27

Heavy supply

₹4.31 lakh crore of dated G-Sec borrowing is planned for the quarter, on top of SGS and weekly T-Bills.

Policy and liquidity

A calibrated tightening stance, with RBI absorbing surplus liquidity through OMO sales and VRRR auctions.

Inflation and flows

Energy and food prices, the monsoon and foreign selling continue to weigh on yields and the rupee.

Based on the CCIL Debt Market Quarterly, July – September 2026. Watch list is a synthesis of the report's themes.