

# Yields in corp bond market soften as inflation eases

Globally too, there is a feeling the worst of inflation may be behind us

FE BUREAU  
New Delhi, November 16

**YIELDS IN THE** corporate bond market have been trending down over the last several sessions, even as more companies are raising money via rupee bonds. The average yield on a top-rated paper with a five-year tenure fell to 7.5038% on Tuesday from 7.5498% on Monday. These are the lowest levels since September 21, according to data compiled by Bloomberg.

On October 24, the yields were ruling at 7.8037%, data from FIM-MDA (Fixed Income Money Market and Derivatives Association of India) showed.

Companies are flocking to the bond markets. Bloomberg reported on Wednesday at least three non-banking financial companies (NBFCs), including L&T Finance, were in the market to raise

## CORPORATE BOND ISSUANCES

(₹ trillion)



Source: primedatabase.com

resources, while another six companies are lined up to hit the market on Thursday after borrowing costs fell to their lowest in nearly two months.

The yields have been coming off

## YIELD MOVEMENT



Bloomberg Fimmda India corporate bond curve

as investors believe retail inflation may have peaked in September – the October reading for the Consumer Price Index (CPI) came in at 6.77%. Globally too, there is a feeling that the worst of inflation may

be behind us. The October inflation print for the US came in at 7.7%, below the anticipated levels.

Ajay Manglunia, MD and head (investment grade group), JM Financial, told FE that there has been a change in the inflation expectations which have led to a softening in yields. Manglunia said borrowers were moving to close out funds at lower costs.

Interestingly, the fall in corporate bond yields comes against the backdrop of banks raising interest rates on loans following the 190 basis points hike in the repo rate by the Reserve Bank of India (RBI).

While loans that are priced against external benchmarks become costlier immediately, banks have also raised the marginal cost of fund-based lending rate (MCLR).

For instance, State bank of India has raised its MCLR by 85 bps since June. For a one-year loan, the MCLR is 8.05% while for loans maturing in two and three years, the rates are 8.25% and 8.35%, respectively.