YIELDS UPTICK

Corp bond sales fell almost 13% on month in December

Yields on government securities rose on fear of rising inflation, Omicron concerns

MANISH M. SUVARNA
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FUNDRAISING THROUGH CORPORATE bonds across tenures and ratings fell almost 13% on month in December, as most issuers remained on the sidelines due to an uptick in yields on these papers. According to the data compiled by Prime database, companies and banks raised ₹48,852 crore in December, compared to ₹56,096 crore raised in November.

Among the issuers, ICICI Bank, Canara Bank, State Bank of India, LIC Housing Finance, Axis Bank and Housing Development Finance Corporation remained top issuers, raising more than 40% of the total amount raised in December.

"Yields rising trend in line with fear of inflation and rate hike probabilities has kept investors at a bay and their reluctant behaviour has resulted into lower than normal issuances trend," said Ajay Manglunia, MD & head institutional fixed income at JM Financial.

Yields on corporate bonds across maturities have risen almost 10-20 basis points in December after the yields on government securities, especially on the benchmark bonds, rose on fear of rising inflation and concerns over the fast spread of the Omicron variant of Covid-19. The 10-year benchmark 6.10%-2031 bond yield has risen almost 10-12 basis points in December, mostly after the monetary policy.

"CPI inflation has been trending upwards, which is leading to higher inflation expectations. G-Sec trade in line with expected inflationary trajectory and hence volatility has been on the rise," said Sandeep Bagla, chief executive officer, Trust Mutual Fund.

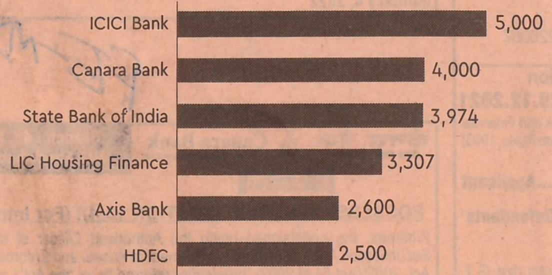
Additionally, the Reserve Bank of India (RBI) and the other central banks across the globe are looking to normalise monetary policy, and hence, bond yields had turned volatile in anticipation of rate hikes.

Market participants said an uptick in yields on corporate bonds is expected to continue on fear of rate hikes by the central bank and a faster pace of liquidity being removed by the RBI from the banking system.

"This trend may continue for some time as the fear of rate hike do remains and ahead of budget that pens down the next year's fiscal deficit and market borrowings shall keep investors very cautious," Manglunia added.

Corporate bond issuances
(Amount in ₹ crore)

Top corporate bonds issuers in December 2021
(Amount in ₹ cr)



Source: Primedatabase.com