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India bond yields end up, high oil prices stir inflation woes



Reuters
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MUMBAI — Indian government bond yields ended higher for a fifth consecutive session on Wednesday, as crude at \$100 raised fears inflation may stay elevated.

The benchmark 10-year government bond yield ended at 7.2858%. The yield has added 10 basis points in the last four sessions, ending at 7.2811% on Tuesday. The new 10-year 7.26% 2032 bond yield ended at 7.2727%, against 7.2684% at previous close.

“Bond yields are expected to remain in thin range in the near term, and oil prices and U.S. yields will be crucial factors,” said Ajay Manglunia, managing director and head of institutional fixed income at JM Financial.

Global oil prices rose on Wednesday, with the benchmark Brent crude contract rising to its highest level in three weeks. The contract was 1.2% higher at \$101.50 per barrel, after gaining nearly 4% on Tuesday.

Oil prices rose after Saudi Arabia suggested this week that the Organization of the Petroleum Exporting Countries and allies could consider cutting output in response to fears about a global downturn.

India is a major importer of crude oil and domestic inflationary pressures are expected to mount due to higher prices.

India’s consumer inflation has remained above the RBI’s mandated target band of 2-6% for seven consecutive months.

Bond yields, however, ended off intraday highs, as state-run banks remained buyers, traders said.

Meanwhile, the 10-year U.S. yield stayed over 3% mark, as investors anticipate hawkish commentary from the U.S. Federal Reserve toward tackling inflation.

Markets are focused on Fed Chair Jerome Powell, who is scheduled to speak at the Jackson Hole symposium on Friday. (Reporting by Dharamraj Lalit Dhutia; Editing by Neha Arora)

