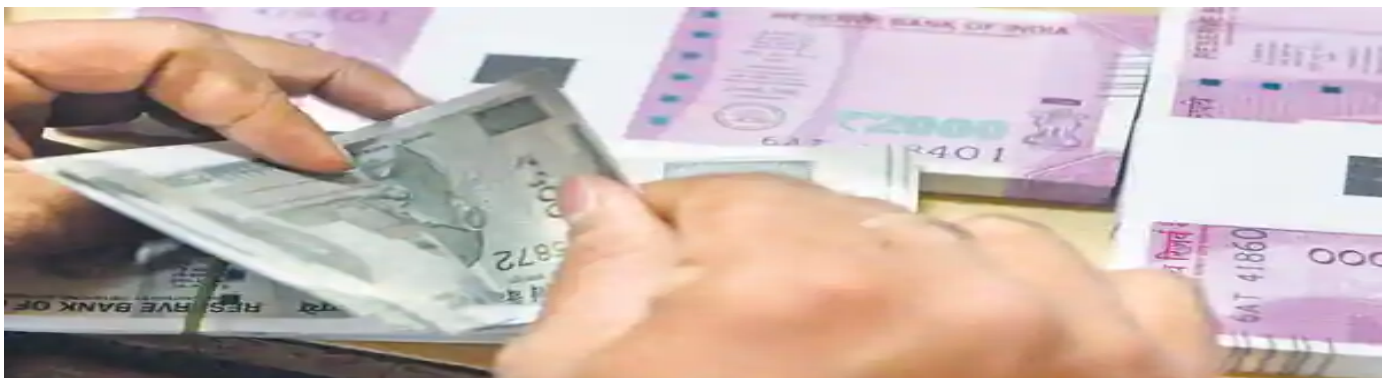


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Foreign banks make biggest India bond purchase in two-and-half years



Foreign banks had sold net India government debt worth ₹40,000 crore between January and June. **(HT_PRINT)**

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Livemint(with inputs from Reuters)

India's 10-year benchmark bond yield fell 13 basis points in July

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biggest such purchase since February 2020, according to Reuters. India's 10-year benchmark bond yield fell 13 basis points in July as bets of aggressive rate hikes from the U.S. Federal Reserve as well as the Reserve Bank of India eased considerably. Currently, it was trading at 7.1901%.

Foreign banks had sold net debt worth ₹40,000 crore between January and June.

The Reserve Bank of India's (RBI) monetary policy decision is due later this week on Friday. Economists polled by Reuters expect rate hike between 25 basis points and 50 basis points. The RBI has hiked its repo rate by 90 bps since May to combat inflation.

Rajani Sinha, chief economist at CareEdge, said: “With the softening of many commodity prices, CPI inflation seems to have broadly peaked at the current levels and expected to witness a downward movement to below 6% by Q4FY23. However, domestic inflation is still high and so is the global commodity prices, we expect RBI to continue with front-loading of rate hiking cycle. We expect 50 bps of repo rate hike in the upcoming policy and another 50-bps rate hike post that taking the terminal repo rate to 5.90% by the end of the fiscal year.”

In July, the 10-year U.S. Treasury yield dropped 33 basis points on diminishing odds for more aggressive Fed rate hikes. This has also led to broad weakness in US dollar.

Lakshmi Iyer, Chief Investment Officer (Debt) & Head Products, Kotak Mahindra Asset Management Company, said: “From to hike or not earlier this year, the key question for policy makers is how much to hike! US Fed seems to be running a Sprint as far as rate

guidance if any in the future course of rate moves."

Today the [Indian rupee](#) jumped to a one-month high of 78.49 per dollar.

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