CARE Ratings
Professional Risk Opinion

Debt Market Updates for December 2020

13 January, 2021

Summary

Borrowings by the government (centre and state) and corporates rose in December 2020. Despite the higher funds raising, the average cost of borrowing for corporates and the central government moderated further during the month. The borrowing cost of short term debt instruments declined below the RBI's reverse repo rate during the month.

The secondary market yields of corporate debt securities firmed in December from the previous month, while that of government securities witnessed a marginal decline. The increase in the secondary market yields of corporate debt securities was however limited by the sustained demand for these securities from banks and mutual funds amid sizeable liquidity surplus in the banking system and robust inflows into the debt schemes of mutual funds.

The risk perception of corporate bonds improved during the month as highlighted by the narrowing of spreads with GSecs.

Table 1: Snapshot of the Indian Debt Market

Borrowings : Government										
	Unit	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
GSec	Rs. Crs	83,000	1,31,000	1,32,000	1,70,000	1,30,000	1,20,000	1,10,000	79,000	94,975
T-Bills	Rs. Crs	1,40,000	1,80,000	1,80,000	1,75,000	1,40,000	1,40,000	64,000	64,000	80,000
SDLs	Rs. Crs	59,255	47,950	60,071	47,600	55,600	83,120	74,210	63,219	64,826
Borrowings : Corporates										
	Unit	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
Bonds	Rs. Crs	79,472	78,802	54,366	52,686	46,894	71,664	61,625	47,353	63,035
Commercial Papers	Rs. Crs	1,32,660	1,14,793	1,24,963	91,338	1,29,558	1,93,651	1,22,789	1,21,388	1,89,796
Incremental Bank Credit*	Rs. Crs	-97,445	-1,48,107	-1,25,831	-1,51,399	-1,59,131	-99,004	-32,008	63,689	1,78,688
ECB Registrations	$ Mn	996	1,490	1,021	2,148	1,605	5,223	2,033	2,045	

**over March*

Average Yields in Primary Markets (%): Government									
	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
GSecs	6.13	5.78	5.8	5.65	5.89	5.96	5.80	5.63	5.61
T-bills	3.93	3.55	3.44	3.34	3.39	3.48	3.32	3.20	3.23
SDLs	7.34	6.25	6.10	5.92	6.30	6.50	7.01	6.40	6.55
Average Yield in Primary Market (%):Corporates									
	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
Bonds	7.19	7.18	7.55	7.19	6.63	6.95	6.44	6.81	6.55
CPs	5.53	5.21	4.47	4.03	3.74	4.27	3.86	3.45	3.35
Bank - MCLR*	8	7.85	7.68	7.58	7.45	7.40	7.35	7.33	7.30
ECBs #	1.70	1.61	2.44	2.40	1.86	1.66	1.25		
Average Yields in Secondary Markets (%)									
	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
10 yr GSecs	6.28	6.04	5.84	5.82	5.96	6	5.92	5.89	5.87
Corporate Bonds	7.72	7.47	6.8	6.45	6.11	6.74	6.39	6.11	6.73
Commercial Paper	4.82	4.21	3.87	3.43	3.42	3.52	3.32	3.19	3.3

* Median MCLR (1 year) for Scheduled Commercial Banks #Weighted Average Margin over 6-month LIBOR or reference rate for Floating Rate Loans

A.1 Central government borrowings

In December 2020, the borrowings by the Central government aggregated Rs 94,975 crs, 20% more than the previous month and 48% higher than the corresponding period last year. During the month, there were instruments for which the green shoe option was exercised aggregating Rs 5,975 crs. In the last auction of the calendar year 2020, none of the bids for the 10-year benchmark instrument were accepted and there was no devolvement to the primary dealers as well. During December, the total amount accepted at the aggregate level was Rs 5,025 crs lower than the notified amount. The fresh issuances in H2-FY21 are Rs 2.84 lakh crs which is 52.2% of the projected borrowings for the second half of FY21 (Rs 5.44 lakh crs).

So far this year (April-December), the aggregate central government borrowings at Rs. 10.5 lakh crores was 66% higher than the borrowings of Rs. 6.34 lakh crores in the corresponding period of the previous year. The total borrowings by the central government in H2-FY21 are likely to be Rs 5.44 lakh crores, which includes the GST compensation cess shortfall of Rs 1.1 lakh crores. Therefore, the total market borrowings are Rs 13.1 lakh crores for FY21.

In December 2020, the short term borrowings by the central government by way of treasury bills (T-bills) aggregated to Rs. 80,000 crore, 18% higher than that in December 2019 (Rs. 64,000 crore) and 25% higher than the previous month (Rs. 64,000 crore in November 2020). During 9M FY21, borrowings by way of treasury bills aggregated Rs. 11.63 lakh crore, 79% higher than Rs. 6.50 lakh crore worth borrowings during 9M FY20.

A.2 State government borrowings

Twenty one states and two UTs raised a total of Rs. 64,826 crores through the issue of State Development Loans (SDL) in December 2020. The SDL issuances during December 2020 were 3% or Rs. 1,607 crores more than that in November 2020. Among the states that borrowed during December 2020, the market borrowings by Karnataka was the highest (Rs. 10,000 crores), followed by Uttar Pradesh (Rs.8,000 crores) and Telangana (Rs.7,000 crores).Two states borrowed more than the notified amount of the auction during the month –Telangana (Rs.1,750 crores) and Assam (Rs.100 crores). Gujarat accepted Rs.1500 crores less than the notified amount.

During the first nine month of 2020-21, state governments have borrowed an aggregate of Rs.5.55 lakhs crores via market borrowings, 43% more than the borrowings in the corresponding period of 2019-20 (Rs. 3.87 lakh crores). Maharashtra (Rs.65,000 crores), Tamil Nadu (Rs.63,000 crores), Karnataka (Rs.55,000 crores), Andhra Pradesh (Rs.44,250 crores), and Rajasthan (Rs.39,211 crores) have been the top 5 borrowing states, accounting for nearly 50% of the total borrowings during April-December’2020.

B. Bank credit off take

As on December 18, 2020, the outstanding aggregate bank credit amounted to Rs. 105.5 lakh crores, Rs. 1.79 lakh crores higher than end-March 2020. In terms of growth, the incremental bank credit grew by 1.7% as on December 18, 2020 nearly unchanged from the 1.8% growth during the same period of last year.

Break-up of the sectoral bank credit off take during April-November 2020 continues to demonstrate contraction in bank credit over March 2020 in the industry and services sector. Bank credit off take by industrial sector contracted at a faster pace of 5.2% during April-November 2020 compared with a fall by 3.9% in the same period of FY20. On the other hand the bank credit growth in the services sector declined at a slower pace of 1% during April-November 2020 than the 2.2% contraction during the corresponding period of FY20. It suggests that the adverse impact of covid-19 pandemic continues to linger in these sectors hindering expansion of businesses.

Of the 19 key industries, 13 industries registered contraction in the bank credit off take namely; petroleum and coal, basic metals, chemicals, engineering, infrastructure, construction, cement, rubber and plastic, textiles among others.

Table 2: Incremental Bank Credit Growth: Industry-wise (April-November)

Contraction in Bank Credit

Industry	FY20	FY21
Petroleum, Coal Products & Nuclear Fuels	-16.9	-20.8
All Engineering	-3.5	-12.7
Beverage & Tobacco	-4.3	-12.5
Chemicals & Chemical Products	-9.5	-12.4
Other Industries	9.6	-7.5
Basic Metal & Metal Product	-6.4	-4.6
Infrastructure	-2.9	-4.4
Food Processing	-12.8	-4.1
Textiles	-8.5	-2.9
Construction	0.6	-2.8
Rubber, Plastic & their Products	2.7	-1.8
Cement & Cement Products	6.5	-1.2
Mining & Quarrying (incl. Coal)	-0.9	-0.2

Growth in Bank Credit

Industry	FY20	FY21
Glass & Glassware	-12.1	0.1
Gems & Jewelry	-14.9	2.3
Leather & Leather Products	-2.3	2.8
Vehicles, Vehicle Parts & Transport Equipment	2.0	4.3
Wood & Wood Products	0.0	4.6
Paper & Paper Products	-0.3	9.8

Source: RBI

C. Corporate Bond Issuances

- Corporate bond issuances increased in December 2020. Based on prov. data from Prime Database, issuances totaled Rs. 63,035 crores, 33% higher than a month ago (Rs. 47,353 crores in November 2020) with private placement dominating the issuances (99%).
- In terms of sectoral debt issuances, banking/term lending and financial services/investments dominated the issuances during the month together accounting for 52% of total fresh issuances during the month. Roads and highways (19%) and housing finance (15%) too were in the forefront.
- In December 2020, nearly 93% of the issuances carried a rating of AA- and above out of which 75% of the issuances had a rating of AAA followed by AA (13%), AA+ (3%) and AA- (2%). Nearly 5% of the issuances had A rating during the month.
- Out of the total debt issuances raised during the month of December 2020, 43% of the issuances had maturity period of greater than or equal to 10 years, 13% of the issuances had tenure of 5-10 years, 14% between 3-5 years while 30% of the issuances had maturity less than 3 years.

Table 3.1 : Select Sectoral Corporate Bond (debt) Issuances – December 2020

Industry	Dec-20
Banking/Term Lending	16,359
Financial Services/Investments	16,078
Housing Finance	9,309
Housing/Civil Construction/Real Estate	2,383
Oil Exploration/Drilling/Refining	2,057
Packaging-Metallic	50
Power Generation & Supply	699
Roads & Highways	12,058
Telecommunications	2,139
Travel/Transportation/Courier(Passenger/Cargo)	1,330
Grand Total	**62,460**

Source: Provisional Data from Prime Database

Table 3.2: Tenure of Debt Issuances – December 2020

Tenure	Dec-20
< 3 years	18,826
3-5 years	8,512
5-10 years	8,239
> 10 years	26,884
Total	**62,460**

Source: Provisional Data from Prime Database

- In 9M FY21, the total corporate bond issuances amounted to Rs. 5.6 lakh crores, 23% higher than Rs. 4.5 lakh crores in the same period last year. Over 40% of the issuances have been raised by public sector undertakings (PFC, REC, HUDCO, NABARD, NHB, NTPC, NHAI, EXIM, IRFC among others).

D. Commercial Paper Issuances

Commercial paper issuances (as per RBI) in December rose to Rs 1.89 lakh crs, 57% higher than the previous month and 5% higher than the corresponding month last year.

Total CP issuances during April-December 2020 stood at Rs 12.2 lakh crores, 29.7% lower than the corresponding period last year. The decline so far this year can be attributed to the pandemic led lockdown and the consequent lower requirement of short term funds by corporates.

During December 2020, the share of issuances of less than 14 days and 14-28 days increased to 20% and 15% respectively, higher than the previous month (7.5% and 8.7% respectively). The share of issuances in 28-91 days category fell from 75% in November to 47% in December 2020. So far this year, the share of issuances in 28-91 days has been the highest at 66% followed by more than 91 days at 14.5%.

Table 4a: Sectoral Commercial Paper Issuances* – December 2020

Industry	% share
Financial Services/Investments	23.0
Oil Exploration/Drilling/Refining	19.2
Housing Finance	10.4
Banking/Term Lending	9.2
Power Generation & Supply	7.8
Others	30.3

Note: * provisional data as on 12th January, 2021.
Source: Prime Database

Table 4b: Duration wise commercial paper issuances – December 2020

No of days	% share
<14	19.2
14-28	15.3
28-91	47.0
>=91	18.6

Source: Prime Database

Sectoral issuances

- Financial services/ investments (23%), oil exploration (19.2%) and housing finance (10.4%) together account for little more than 50% of the total issuances in December 2020. Bank/term lending (9.2%) accounted for little less than 10% of total issuances in December 2020.
- Public sector undertakings (like Indian Oil Corporation, NABARD, NTPC etc) accounted for around 42% of CP issuances in December 2020, notably higher than 35% share in November 2020. So far this year, public sector undertakings have raised 36% of total CP issuances with the highest of 53% recorded in April 2020.

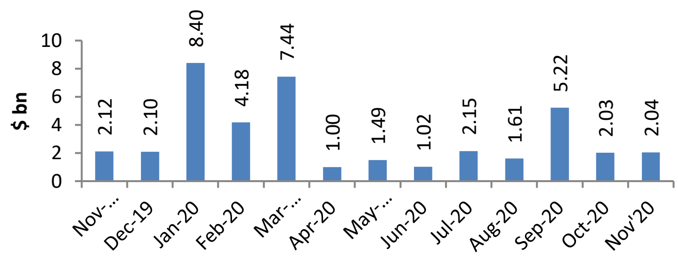
E. External Commercial Borrowings (ECB)

Registrations for overseas borrowings by Indian corporates in November 2020 at $2.04 bn was 3% lower than that in November 2019 and nearly stable on a monthly basis. The ECB registrations in 2020-21 have been the lowest in three years. In the first eight months of 2020-21, the ECB registrations at $16.5 bn has been nearly half that of the corresponding period of year ago ($30.8 bn).

The lower borrowings from the overseas markets in the current financial year can in large part be attributed to the pandemic led economic and business disruptions that have made corporates reluctant to borrow and add to their liabilities amid uncertainties about the future business and economic conditions. Also, the fall in domestic interest rates and the limited appreciation in the Rupee against the USD (despite lower current account deficit and increase in forex reserves) has lowered the attractiveness of external borrowings despite the low interest rates prevailing in the overseas markets.

In terms of sectoral borrowings in November'20, petroleum products manufacturing followed by energy supply have been the largest borrowers, accounting for 34% and 29% respectively of the total ECB registrations during the month.

Chart 1: ECB Registration ($ bn)



Source: RBI

Table 5: Sectoral Share in ECB registrations: Nov'20

Sectors	% share
Extraction of crude petroleum and natural gas	34
Electricity, gas, steam and air conditioning supply	29
Manufacture of pharmaceuticals	12
Manufacture of computer, electronic and optical products	5
Water transport	4
Civil engineering	4
Financial service activities (excdg insurance and pension) funding)	2
Professional, scientific and technical activities	2
Others	9

Source: RBI

Among the other sectors, pharmaceuticals have been a large borrower with a 12% share in the total ECB registrations, followed by the manufacture of computers and electronics which accounted for 5% of the total registrations. Financial services accounted for only 2% of the registrations in November'20

The intended borrowings in November'20 were mainly for infrastructure development (24% share) and towards refinancing earlier ECB (12% share). 10% of the borrowings are towards meeting working capital requirements.

Table 6: Purpose of ECB: Nov'20

Purpose	% share
Infrastructure	23
Refinancing of Earlier ECB	12
Working Capital	10
New Project	7
Import of Capital Goods	5
Rupee Expenditure Loc.CG	5
Modernisation	1
On-lending/Sub-lending.	1
Others	34

Source: RBI

Cost of borrowings

A. Central and State Government

A.1 GSec: In December 2020, the weighted average yield of fresh borrowings by the central government declined further to 5.61%, 2 bps lower than the previous month and 1.22% lower than the corresponding month last year (6.83% in December 2019).

***A.2 T-bills*:** In December 2020, the cost of borrowing for short-term borrowings of the central government increased marginally on account higher borrowings during the month. The weighted average yield of T-bills for the month at 3.23% was 3 bps higher than the yield of 3.20% in November 2020. It was 70 bps lower than that in April 2020 (3.93%) and 184 bps lower than that in December 2019 (5.07%) supported by persistent surplus liquidity in the banking system.

The cost of borrowings across various maturities also firmed up marginally in December 2020 compared with the previous month. The weighted average yield of 91 days T-Bills was 4 bps higher at 3.09% whereas the same on 181 days and 364- days T-bills were each 2 bps higher at 3.34% and 3.44% respectively in December 2020 compared with the previous month.

A.3 State Development Loans: The cost of borrowing for the state governments in December 2020 rose from month ago. The weighted average cost yields of state development loans (across states and tenures) issued during December 2020 at 6.55% was 15 bps lower than month ago. The decline in the cost of borrowing for state governments can in large part be attributed to the RBI's purchase of Rs.10,000 crores of SDLs in December 2020.

Of the 21 states and 2 UTs that undertook market borrowings in December 2020, the cost of borrowings i.e. the weighted average yield was the highest for Punjab at 6.69% and lowest for Chhattisgarh at 5.19%. All states have witnessed a decline in cost of borrowings since the start of the 2020-21 financial year.

B. Bank Lending Rates (MCLR and WALR)

The marginal cost of lending rate (MCLR) of scheduled commercial banks declined further in December 2020 to the lowest levels since April'16. The median 1 year MCLR of scheduled commercial banks in December 2020 at 7.30% was 3 bps lower than a month ago. At the bank group level, public sector banks saw their median lending rates in December 2020 at 7.33%, unchanged from month ago while that of private sector banks decline by 7 bps to 8.55%. In the case of foreign banks, the median lending rate declined by 15 bps to 5.95% in December 2020 from that in the preceding month.

The median 1 year MCLR of public sector banks in December'20 was 123 bps lower than that of private sector banks and 138 bps higher than that of foreign banks.

Even though the RBI has cut key interest (repo) rate by 115 bps since end-March 2020, the median 1 year MCLR of scheduled commercial banks (SCBs) has declined by only 70 bps in the subsequent nine months. Further the rate of decline has been differing across banks with the foreign banks seeing the largest reduction in the same and private sector banks the lowest. Public sector banks MCLR (median 1 year) has declined by 66 bps during the nine months to December 2020 while that of private sector banks has fallen by 47bps and foreign banks by 148 bps.

The weighted average lending rate (WALR) of fresh rupee loans sanctioned by scheduled commercial banks at 8.32% in November 2020 was 6 bps lower than October'20. The monthly decline in the lending rates was higher in the case of private sector banks (by 9 bps) and foreign banks (by 13 bps) compared with the public sector banks (2 bps).

The WALR of public sector banks at 7.96% in November 2020 was 97 bps lower than that of the private sector banks (8.93%).

C. Corporate Bonds

In December 2020, the borrowing cost for the corporates moderated. The weighted average yield of corporate bond issuances increased by 26 basis points to 6.55% compared with the previous month (6.81% in November 2020) and was 64 bps lower than that in April 2020 (7.19%) aided by liquidity surplus in the banking system.

- The cost of issuances for key segments, i.e. All India Financial Institutions (AIFs)[1], Housing Finance Companies (HFCs), Non-Banking Financial companies (NBFCs) and Non-NBFCs in the AAA rating category shows mixed picture. On month of month basis, the yields have declined across categories.
- When compared with November 2020, the weighted average yields of AIFs fell by 26 bps to 6.41% in December 2020.
- In December 2020, AAA-rated HFCs cost of borrowings decreased considerably by 73 bps, yields on AAA rated papers issued by NBFCs fell by 69 bps month on month.
- Others including manufacturing and banks also registered moderation in yields on AAA rated papers by 71 bps in December 2020 over November 2020.

Table 6: Issuer-wise corporate bond yields in the primary markets

AAA rated	AIFs	HFCs	NBFCs	Others*
Oct-19	7.37	7.97	7.72	NA
Nov-19	7.17	7.25	7.79	9.05
Dec-19	7.74	7.36	8.34	6.72
Jan-20	7.23	7.36	8.05	7.56
Feb-20	6.94	7.24	7.78	6.91
Mar-20	7.30	7.70	7.57	7.62
Apr-20	6.69	7.21	7.64	7.11
May-20	6.61	7.12	7.42	7.04
Jun-20	6.86	6.62	7.03	6.94
Jul-20	6.05	7.28	7.24	8.31
Aug-20	6.00	5.41	5.93	6.74
Sep-20	6.84	6.04	5.98	6.22
Oct-20	6.19	6.88	5.98	5.94
Nov-20	6.67	5.66	6.47	7.16
Dec-20	6.41	4.93	5.78	6.45

Others include banks and manufacturing companies. Source: Prime Database; CARE Ratings' Calculation

D. Commercial Paper

The cost of borrowing via commercial paper fell to 3.35% in December 11 bps lower than the previous month and 2.15% than the corresponding period last year. There has been a broad-base decline in the cost of borrowings across NBFCs, HFCs, AIFs non-NBFC category on m-o-m basis. On a y-o-y basis, the decline in yields has been more than 1.5% with the highest fall recorded in the NBFC category (2.6%). Almost all CP issuances during the month had a credit rating of A1+ category (very high degree of safety of lowest credit risk)

[1] AIFs include public sector undertakings such as NABARD, SIDBI, Indian Railway Finance Corporation Ltd.

- The cost of borrowings for NBFCs has declined to 3.6% in December 2020, 12 bps lower than the previous month and 2.6% lower than the corresponding month in the previous year. This is the lowest yield recorded so far in this financial year and can be chiefly attributed to the ample liquidity in the financial system. 3/4th of the issuances in December 2020 by the NBFC sector have been below the weighted average yield for the month (3.6%).
- The cost of borrowings for HFCs continued to decline for the 4th consecutive month. The weighted average yields were 3.66% in December, 4 bps lower than the previous month. Almost 55% of the issuances in December by the sector have been below the weighted average yield for the month (3.66%).

Table 8: Issuer-wise commercial paper yields in the primary markets

	NBFC	HFC	AIF	Non NBFC	Weighted average
Dec-19	6.15	5.39	5.13	5.53	5.49
Jan-20	6.01	6.06	5.31	5.94	5.67
Feb-20	6.13	6.02	5.38	5.67	5.66
Mar-20	9.84	5.29	5.73	5.75	6.13
Apr-20	6.50	5.78	4.95	6.16	5.53
May-20	5.65	4.86	4.57	5.40	5.21
Jun-20	5.43	4.27	3.74	4.87	4.47
Jul-20	4.82	3.83	3.36	4.20	4.03
Aug-20	3.98	4.63	3.35	3.85	3.74
Sep-20	4.82	3.89	3.39	4.53	4.27
Oct-20	4.20	3.72	3.42	3.96	3.86
Nov-20	3.72	3.70	3.20	3.46	3.45
Dec-20	3.60	3.66	3.19	3.23	3.35

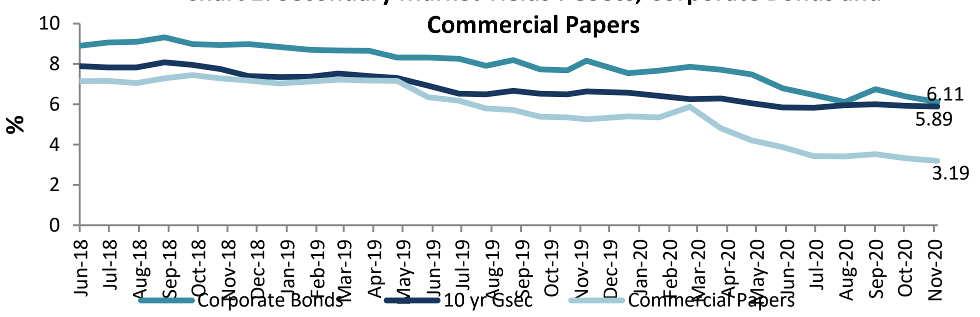
Source: Prime database, CARE Ratings calculation
*Others include telecom, power, real estate, textiles, cement, fertilizers, etc.

- AIFs raised funds in December 2020 at the weighted average cost of 3.19%, almost at the same level as that of the previous month. The cost of borrowings in this segment has been 1.95% lower than the corresponding month of the previous year.
- Under the other segments, sub-categories like pharmaceuticals (2.97%), fertilisers and engineering (3.3%), travel/transportation (3.32%), cement (3.16%) recorded a notable decline in weighted average yields in December from the previous month.
- Under the other segments, during April to December 2020, the lowest weighted average yields were registered in petrochemicals (3.4%), engineering (3.65%) and cement and construction materials (3.7%).
- The weighted average yields of all the four segments have registered notable decline in yields in December 2020 compared with December 2019.

Secondary Market Yields

A. Secondary market yields

Chart 2: Secondary Market Yields : GSecs, Corporate Bonds and Commercial Papers



Source: FBIL, RBI, FIMMDA and CARE Ratings calculations. Corporate Bond yields are the weighted average yields across rating categories

The secondary market yields of corporate debt securities firmed in December from the previous month, while that of government securities witnessed a marginal decline.

The average benchmark 10- year GSec yields declined by 2 bps to 5.87% in December from a month ago. The decline in GSec yields was aided by the RBI's monetary policy decision to continue with the accommodative monetary policy for as long as necessary along with the conduct of OMO purchases and operation twist from time to time. The sharper than expected fall in retail inflation in November 2020 also helped pull down yields. However, concerns over the large supply of GSecs and the still elevated levels of inflation weighed on demand for these securities and hence yields.

Corporate bond yields rose to a six month high in December. The weighted average yields during the month at 6.73% was 63 bps higher than that in November. In case of commercial paper's too, the average yields rose by 11 bps on a month-on-month basis. The increase in yields of corporate debt securities during the month can be attributed to moderation in demand from mutual funds that witnessed lower net inflows into corporate debt funds and outflows from money market funds amid higher issuances of these securities. Money market funds saw net outflows of Rs. 11,896 crores in December v/s the net inflows of Rs.2998 crores in November 2020. The net inflows into corporate bond funds at Rs.8610 crores were Rs. 2,483 crores less than month ago.

Demand from mutual funds nevertheless continued to be fairly robust, limiting the rise in yields in the corporate debt securities. The yields (weighted average) of corporate bonds and commercial papers in December was lower by 98 bps and 152 bps respectively from their April 2020 values. The decline in the yields of corporate debt securities in the nine months to December 2020 has been driven by demand for these securities from banks and mutual funds. The lower issuances of commercial paper in the current financial year have also aided demand for these securities. Demand for corporate debt securities from banks has been aided by the sustained sizeable liquidity surplus in the banking system amid low credit offtake, while higher inflows into mutual funds has fueled demand from this segment.

The average assets under management (AUM) of corporate bond funds has increased from Rs. 0.97 lakh crores in June 2020 to Rs. 1.54 lakh crores in December 2020). Similarly, the average AUM of money market funds has risen from Rs.0.65 lakh crores in June 2020 to Rs.0.96 lakh crores in December 2020.

.Table 9: Corporate Bond Spreads over GSec: 10-year maturity

Month end (%)	GSec yields	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-
31-Jan-19	7.28	1.29	1.68	1.88	2.29	2.99	3.99	4.29	5.29	5.54	6.04
28-Feb-19	7.41	1.40	1.70	1.94	2.40	3.10	4.10	4.40	5.40	5.65	6.15
29-Mar-19	7.35	1.08	1.45	1.68	2.12	2.82	3.82	4.12	5.12	5.37	5.87
30-Apr-19	7.41	1.13	1.47	1.75	2.13	2.83	3.83	4.13	5.13	5.38	5.88
31-May-19	7.03	1.18	1.50	1.77	2.15	2.85	3.85	4.15	5.15	5.40	5.9
28-Jun-19	6.88	1.25	1.56	1.84	2.21	2.91	3.91	4.21	5.21	5.46	5.96
31-Jul-19	6.37	1.39	1.75	2.01	2.35	3.35	4.05	4.35	5.35	5.60	6.10
30-Aug-19	6.56	1.00	1.39	1.63	1.97	2.97	3.67	3.97	4.97	5.22	5.72
30-Sep-19	6.70	1.05	1.39	1.69	2.02	3.02	3.72	4.02	5.02	5.27	5.77
31-Oct-19	6.45	1.28	1.60	1.88	2.20	3.60	3.90	4.70	5.20	5.45	5.95
29-Nov-19	6.47	1.12	1.42	1.70	1.95	3.35	3.65	4.45	4.95	5.20	5.70
31-Dec-19	6.56	1.01	1.31	1.56	1.92	3.32	3.62	4.42	4.92	5.17	5.67
31-Jan-20	6.60	0.99	1.27	1.54	1.82	2.82	3.32	3.82	4.07	4.32	4.57
28-Feb-20	6.37	0.34	0.71	1.02	1.39	2.14	2.39	2.89	3.39	3.64	3.89
31-Mar-20	6.14	0.81	1.13	1.53	1.73	2.73	3.23	3.73	3.98	4.23	4.48
30-Apr-20	6.28	1.20	1.54	1.86	2.00	3.00	3.50	4.00	4.25	4.50	4.75
29-May-20	6.01	1.21	1.66	2.03	2.41	3.41	3.91	4.41	4.66	4.91	5.16
30-Jun-20	5.89	0.86	1.38	1.81	2.20	3.20	3.70	4.20	4.45	4.70	4.95
31-Jul-20	5.83	0.75	1.26	1.64	2.04	3.54	3.79	4.54	4.79	5.04	5.54
31-Aug-20	6.12	0.73	1.18	1.57	1.98	3.48	3.73	4.48	4.73	4.98	5.48
30-Sep-20	6.02	0.75	1.24	1.52	1.97	3.47	3.72	4.47	4.72	4.97	5.47
29-Oct-20	5.88	0.61	1.10	1.37	1.83	3.33	3.58	4.33	4.58	4.83	5.33
27-Nov-20	5.91	0.67	1.17	1.51	1.94	3.44	3.69	4.44	4.69	4.94	5.44
31-Dec-20	5.87	0.61	1.12	1.42	1.80	3.30	3.55	4.30	4.55	4.80	5.30

Source: FIMMDA

The risk perception of corporate bonds moderated in December 2020 from the previous month as was highlighted by the narrowing of the spread between corporate bonds and the bench mark government securities of comparable maturity (10 years).

The comparison of yield spreads on the last day of December 2020 with that of end November 2020 showed that the yield spreads for corporate bonds across rating categories from AA- to BBB- was 14 bps lower. In case of AAA rated bonds the spread narrowed by 6 bps and for AA+ rated bonds fell by 5 bps.

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