

Experts' take on money trends for the week

**BONDS & MONEY MARKETS**

# One-yr CD Rate Seen in 9.60-9.70% Range



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The bond markets have been in a euphoric mood over the past three weeks since the commencement of RBI's open market operations, with the 10-year yield coming down by 50

bps to 8.40% from 8.90%. The dismal growth figures along with falling Inflation spurred speculation about a CRR cut in light of tight money market liquidity.

Though the CRR cut did not materialise, the enthusiasm in the markets continued as RBI took a dovish stance by increasing the probability of a rate cut soon. The bond markets are discounting a lot of positives right now with the 10-yr G-secs trading at 8.40%, which is below the repo rate.

We believe that for the rest of the month the bullish momentum will continue with the range for the 10-yr G-sec yield for the week seen between 8.25% and 8.45%, though the risk of extra borrowing by the government has increased, given the precarious

fiscal position of the government. The market will also keenly watch the European situation for its implications on risk aversion and the rupee-dollar rate.

Overnight CBLO rates should range between 8.60% and 8.80% given the tight liquidity and one-year CD rates are expected to range between 9.60% and 9.70% and the three-month CD rates expected to hover between 9.40% and 9.50% levels. The key take away from the RBI mid quarter review has been the subtle change in stance from "anti Inflation" to "pro growth" which increases the probability of a rate cut in case the economic situation takes a turn for the worse either domestically or internationally.