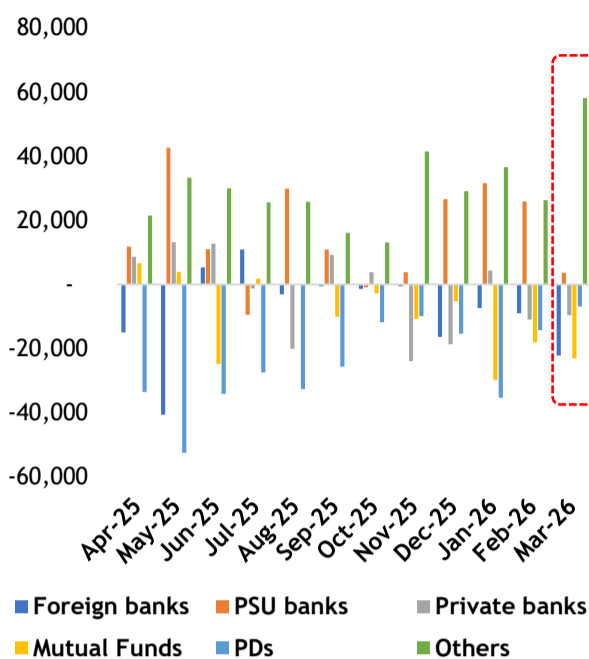


Fig. 1: "Others" Category buying curtailed the yield curve upside move; (Rs. In Crore)



Source: RBI, UBI research

Global financial markets remained volatile this week as escalating tensions in West Asia drove a sharp surge in crude oil prices. Brent crude rose to above \$100/bbl marking one of the strongest weekly gains in recent years. Rising energy prices revived inflation concerns, limiting the decline in US 10-year Treasury yields, which traded in a range of 4.10-4.19%, closing the week around 4.13-4.15%, despite weaker-than-expected Non-Farm Payrolls (-92k jobs, unemployment 4.4%) and soft retail sales. The Indian 10-year G-Sec (6.48%, 2035) edged higher to 6.68-6.69%, supported by robust demand at the weekly ₹290-bln government securities auction, where the 6.68% GS 2040 gilt cut-off price was ₹96.38 (weighted average ₹96.40). The 6.90% GS 2065 gilt also saw strong participation, with ~₹20 bln purchased through forward rate agreements (FRAs). The INR weakened past ₹92/USD on Wednesday to an intraday low of ₹92.30, before recovering to ₹91.7-91.8/USD, reflecting higher oil import costs and global risk aversion. Banking system liquidity tightened due to advance tax and GST outflows, pushing the WACR closer to and at times above the policy repo rate. To ease pressures, RBI announced OMO purchases of ₹1 lakh crore in two tranches of ₹50,000 crore each. The Gol continues to ensure energy stability by maintaining strategic petroleum reserves, diversifying crude import routes and securing a 30-day US waiver for Russian crude imports mitigating the impact of disruptions around the Strait of Hormuz.

US 10 year yield volatile amid mixed data and oil driven inflation concerns

- US 10-year Treasury yield traded between ~4.10% and 4.19%, closing the week around 4.13-4.15%, reflecting a tug-of-war between slowing growth signals and inflation risks.
- Key economic releases pointed to some moderation in the economy. Non-farm payrolls came in weaker than expected with job losses of about 92k and unemployment rising to 4.4%, while retail sales also showed softer momentum.
- However, the sharp rise in energy prices due to tensions in West Asia revived concerns around energy-led inflation, which limited the decline in yields and kept the rate outlook uncertain.

Oil market: West Asia tensions drive sharp surge in crude

- Oil markets saw significant volatility during the week as geopolitical tensions in West Asia intensified. Brent crude rose sharply and traded around \$90-94 per barrel, while WTI also moved higher, reflecting one of the strongest weekly gains in recent years.
- The surge was triggered by escalating military tensions involving the US, Israel and Iran, which disrupted shipping activity around the Strait of Hormuz, a critical route for nearly 20% of global oil and LNG trade.
- The rise in crude prices has heightened global inflation concerns and triggered volatility across global bond markets, as higher energy prices can delay monetary policy easing and impact growth.
- USD/INR saw sharp volatility during the week, weakening past the ₹92 per USD level on Wednesday to an intraday low near ₹92.30, before recovering modestly to close the week around ₹91.7-₹91.8 per USD; however, sentiment remains fragile amid elevated crude oil prices, global risk aversion and continuing geopolitical tensions in West Asia with the currency's near-term trajectory likely to depend on oil price movements and capital flows.

India 10 year yield: Global cues and oil prices push yields higher

- The India 10-year benchmark (6.48% 2035) rose modestly to ~6.68-6.69% by March 6, 2026 (up ~0.03% in recent sessions), after dipping earlier in the week. It traded in a ~6.64-6.71% range, with net monthly declines but rebounding on geopolitical caution and rupee weakness.
- Last Friday's auction of ₹290-bln government securities auction remained firm, with cut-off prices coming slightly better than market expectations. The 6.68% GS 2040 gilt saw a cut-off price of ₹96.38, marginally higher than the market estimate of ₹96.35, with a weighted average price of ₹96.40. Demand from banks remained strong, supported by continued buying interest in government securities since December, with dealers noting demand for both the 10-year benchmark 6.48%, 2035 bond and the 6.68%, 2040 bond during the week.
- The 6.90%, 2065 gilt also witnessed robust demand, with dealers highlighting large participation from a state-owned insurance company. Investor appetite remained strong as this auction marked the last scheduled gilt supply before the start of the new financial year, with around ₹20 bln of the 2065 bond reportedly purchased for bond forward rate agreements (FRAs).

Banking System Liquidity, RBI measures and Oil supply stability

- Banking system liquidity tightened during the week largely due to seasonal tax-related outflows, with advance tax and GST payments leading to a temporary drain in liquidity which is typical toward the fiscal year end. As a result, the Weighted Average Call Rate (WACR) moved higher and traded closer to and at times above the policy repo rate reflecting tighter money market conditions. Liquidity pressures were further amplified by year-end and currency leakage increasing banks' reliance on short-term funding markets.
- In response to tightening liquidity conditions, the Reserve Bank of India announced Open Market Operation (OMO) purchases worth ₹1 lakh crore aimed at injecting durable liquidity into the banking system. The purchases will be conducted in two tranches of ₹50,000 crore each on March 9 and March 13, helping ease liquidity stress arising from tax outflows. The central bank also conducted G-Sec switch auctions to manage near-term redemption pressures and smooth the government borrowing profile while recent data indicates continued buying of government securities which has helped cap the rise in yields despite global volatility.
- On the energy front, the Government of India continues to closely monitor developments in West Asia and has taken steps to ensure stability in domestic fuel supply.
 - Secured a 30-day US Waiver: Indian refiners have been granted an emergency window until April 3 to purchase Russian crude oil already in transit, bypassing certain sanctions.
 - Diversified Routes: The Ministry of Petroleum has activated a 24x7 control room and is prioritizing cargoes that are not routed through the Strait of Hormuz.
 - Inventory Buffers: Minister Hardeep Singh Puri confirmed that India's strategic petroleum reserves and refinery stocks are currently "robust" enough to handle short-term disruptions.

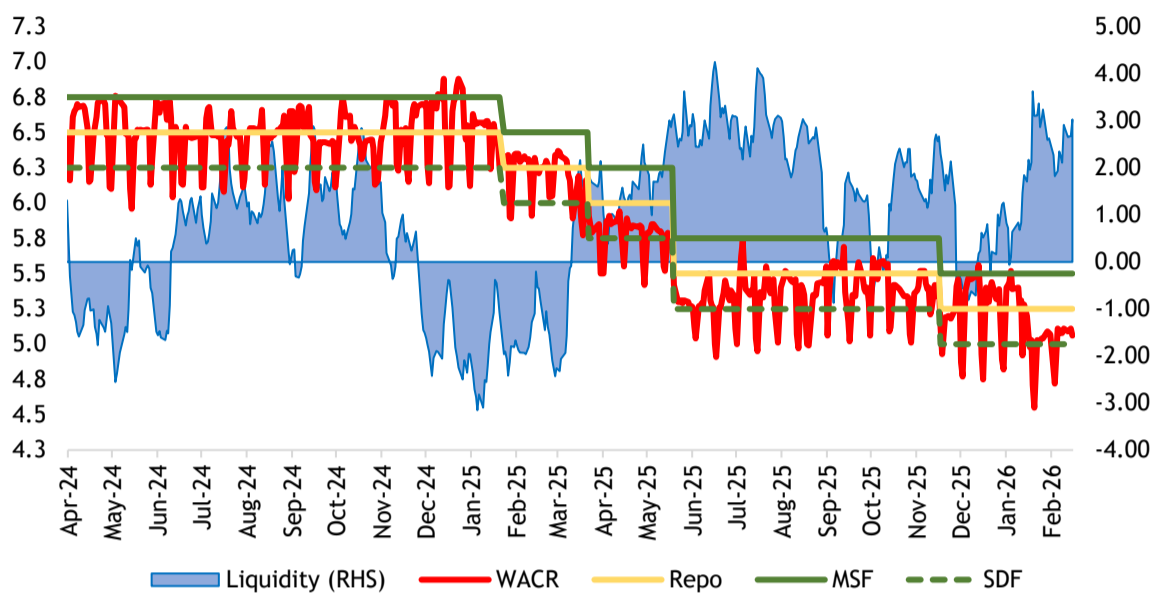
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Table 1: Market Snapshot Instrument	Yield (Mar 06)	Weekly Change	Commentary
10 Year G-Sec (6.48% GS 2035)	6.69%	+1 bps	"Others" buying absorbed Crude oil shocks
1 Year T-Bill	5.60%	+9 Bps	Liquidity in surplus
US 10 year Yield	4.14%	+20 bps	Inflation expectations crude oil shocks
Credit Growth (%) (as of 15 th Feb'26)	13.7%	-85 bps	Credit & Deposit growth increased on fortnight basis with gap widening
Deposit Growth (%) (as of 15 th Feb'26)	11.0%	+149 bps	
Credit Deposit Wedge (bps) (as of 15 th Feb'26)	278	+64 bps	

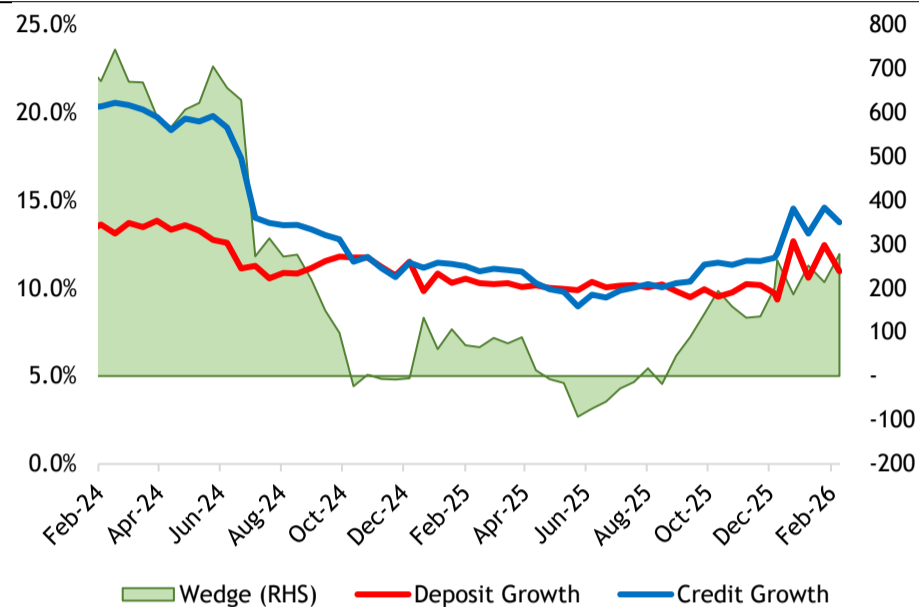
Source: RBI, CCIL, UBI Research

Fig.2: WACR moved to lower band liquidity conditions eased; (%)



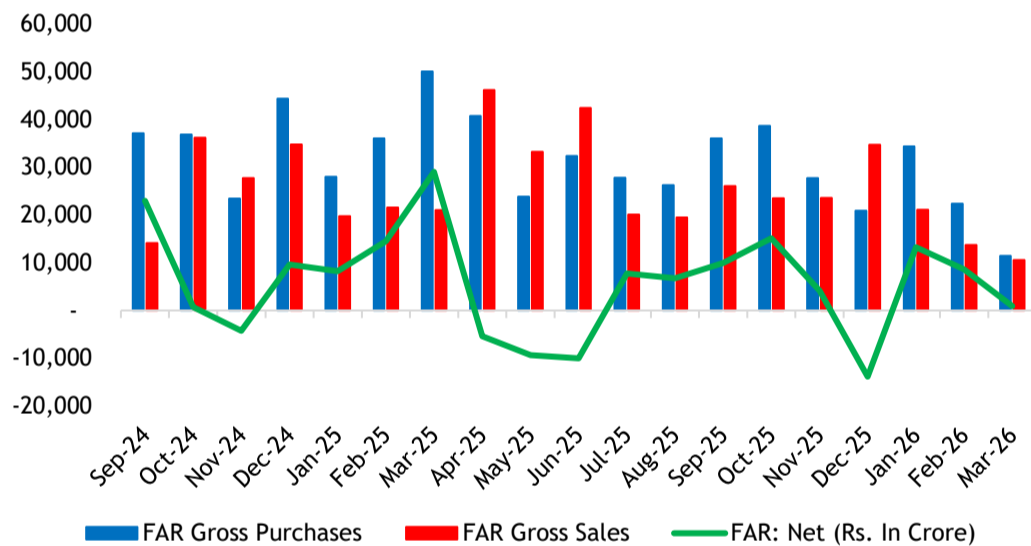
Source: Bloomberg, CEIC, UBI Research

Fig.3: Credit Deposit Gap widened to ~278 bps in fortnight ending 15th Feb 2026



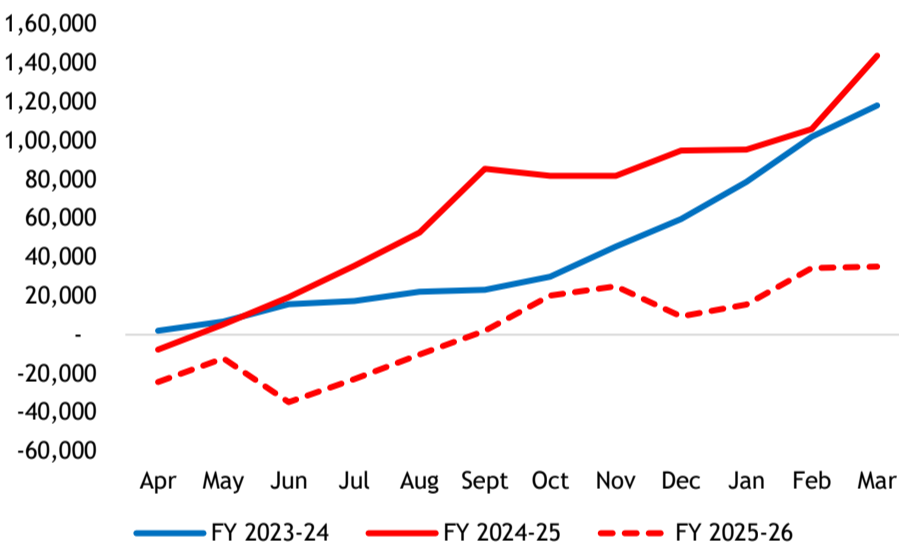
Source: CEIC, UBI Research

Fig.4: Flows in FAR securities turned positive since Jan 2026; (Rs. In Crore)



Source: CEIC, UBI Research

Fig.5: Cumulative FPI flows under Debt Segment; (Rs. In Crore)



Source: NSDL, UBI Research

Table 2: Fixed Income tracking Heatmap

Fixed Income Heatmap	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26
Growth																							
PMI Manufacturing (YoY Gr%)	58.80	57.50	58.30	58.10	57.50	56.50	57.50	56.50	56.40	57.70	56.30	58.10	58.20	57.60	58.40	59.10	59.30	57.70	59.20	56.60	55.00	55.40	56.90
PMI Services (YoY Gr%)	60.80	60.20	60.50	60.30	60.90	57.70	58.50	58.40	59.30	56.50	59.00	58.50	58.70	58.80	60.40	60.50	62.90	60.90	58.90	59.80	58.00	58.50	58.40
GST Collection (YoY Gr%)	12.42	9.96	7.63	10.28	9.99	6.47	8.92	8.54	7.26	12.29	0.86	9.89	6.18	8.93	-1.56	0.54	-0.48	2.38	0.42	-6.58	-1.30	-1.09	8.15
Govt Expenditure (YoY Gr%)	39.26	-37.87	-18.42	0.12	20.94	2.63	31.65	3.63	22.15	12.43	-17.66	9.65	9.95	40.26	37.39	3.35	-9.88	-7.99	11.07	12.42	-7.33	-8.52	
Vehicle registrations (% y/y)	25.67	4.01	2.44	14.63	4.47	-5.58	33.56	12.76	-8.70	5.29	-6.02	0.73	2.73	6.22	5.86	-2.40	4.31	7.18	41.97	1.88	15.30	18.82	24.52
Exports (% y/y)	14.97	10.95	3.27	-5.25	-14.09	-0.96	16.60	-5.34	-1.53	-2.64	-10.86	0.85	-3.82	-1.23	-1.34	13.27	5.73	6.03	12.51	18.97	1.79	0.61	
Imports (% y/y)	11.08	7.35	5.25	11.91	10.44	8.29	3.22	16.75	2.75	11.29	-14.81	12.13	19.99	-1.33	-3.41	9.10	-9.54	17.67	16.97	-1.94	8.67	19.19	
Inflation																							
CPI (Y-o-Y Gr%)	4.83	4.80	5.08	3.60	3.65	5.49	6.21	5.48	5.22	4.26	3.61	3.34	3.16	2.82	2.10	1.61	2.07	1.44	0.25	0.71	1.33	2.74	
Core CPI (Y-o-Y Gr%)	3.23	3.12	3.14	3.39	3.40	3.49	3.67	3.64	3.58	3.67	3.99	4.10	4.11	4.24	4.41	4.12	4.11	4.27	4.41	4.34	4.63	3.37	
Transmission																							
Bank Credit (YoY Gr%)	19.21	20.72	17.40	13.71	14.03	12.34	11.80	11.16	11.16	12.54	12.26	11.03	10.09	8.96	9.48	10.04	10.12	10.79	12.00	11.54	14.53	13.40	
Bank Deposits (YoY Gr%)	12.56	14.02	11.12	10.57	12.72	10.38	11.50	11.25	9.83	12.06	12.01	10.28	9.79	9.89	10.06	10.17	9.31	9.36	10.84	10.18	12.67	10.69	
C-D Ratio (%)	79.90	79.90	79.70	79.70	78.80	79.60	79.80	79.90	80.80	80.70	80.80	81.10	80.10	79.30	79.30	79.60	79.30	80.50	80.60	80.80	82.00	82.50	
WALR O/s Rupee Loans (%)	9.81	9.81	9.89	9.89	9.89	9.88	9.88	9.87	9.86	9.87	9.80	9.77	9.68	9.67	9.44	9.38	9.32	9.26	9.24	9.21	9.06	9.04	
WALR Fresh Rupee Loans (%)	9.55	9.39	9.32	9.40	9.41	9.37	9.54	9.40	9.25	9.33	9.40	9.35	9.26	9.20	8.62	8.81	8.72	8.39	8.61	8.71	8.28	8.67	
WADR O/s (%)	6.97	6.99	7.00	7.00	7.01	7.04	7.04	7.06	7.08	7.09	7.10	7.11	7.11	7.07	7.00	6.92	6.87	6.82	6.78	6.73	6.68	6.64	
WADR Fresh (%)	6.49	6.49	6.49	6.51	6.49	6.57	6.47	6.47	6.60	6.62	6.55	6.72	6.34	6.11	5.75	5.61	5.56	5.61	5.57	5.59	5.67	5.66	
MCLR 1 Year - Median	8.85	8.79	8.85	8.85	8.90	8.95	8.95	9.00	9.00	9.00	9.05	9.00	9.00	8.95	8.90	8.75	8.60	8.60	8.55	8.50	8.45	8.40	8.45

Source: CEIC, UBI Research

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