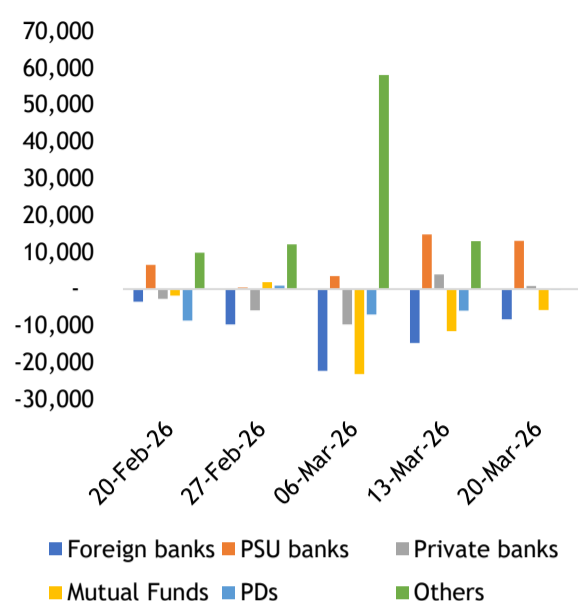


Fig. 1: "Others" category buying dipped in current week; (Rs. In Crore)



Source: RBI, UBI research

Global markets remained on edge during the week, driven by escalating geopolitical tensions in the Middle East. The sharp surge in crude oil prices to above \$110/bbl has reintroduced inflation concerns and disrupted the global disinflation narrative. This has pushed US Treasury yields higher and tightened financial conditions globally with spillovers into emerging markets including India. The INR weakened past the 93/USD mark, pressured by elevated oil prices, a stronger US Dollar, and persistent foreign outflows. While RBI helped manage volatility, the broader trend remains fragile with currency movements closely tied to oil and global risk sentiment. Global central banks maintained a cautious stance, holding rates steady and reinforcing a "higher-for-longer" outlook. With energy-driven inflation risks rising, expectations of rate cuts have been pushed out, and concerns around stagflation have resurfaced. In the domestic bond market, the 10-year benchmark yield moved higher toward ~6.85%, tracking global trends and reacting to inflation and supply pressures. Elevated state borrowing (₹57,000+ crore) further added to supply concerns, keeping spreads and yields under pressure. On the liquidity front, the RBI remained proactive through VRR operations and ongoing OMO purchases ensuring stability despite temporary tightness caused by tax outflows and FX impact.

Middle East Conflict: Energy Shock Keeps Markets on Edge

- Geopolitical tensions in the Middle East intensified further this week, with continued strikes on Iranian energy and military infrastructure and retaliatory responses across the region. The conflict is now spilling into critical global energy routes, keeping markets highly sensitive to every headline.
- Brent crude surged to around \$110-111/bbl, and the risk of further upside remains if disruptions through the Strait of Hormuz persist. This sharp rise in oil prices has started to challenge the global disinflation narrative and reintroduced inflation concerns across major economies.
- Reflecting this shift, the US 10-year Treasury yield moved higher, as markets pared expectations of rate cuts and repriced inflation risks linked to the oil shock. The move in global yields has also fed into emerging market debt, including India.
- There are early signs of supply strain, including LNG disruptions, which are particularly concerning for energy-importing economies like India. Interestingly, safe-haven behavior has been uneven—while the US Dollar strengthened, gold corrected as investors preferred liquidity amid heightened uncertainty.

INR Weakness: Pressure Intensifies Beyond 93

- The Indian Rupee came under significant pressure this week, weakening past the 93/USD mark and touching fresh record lows. The move has been driven by a combination of a strong US Dollar, rising crude prices, and sustained foreign portfolio outflows.
- Higher oil prices have worsened India's trade deficit outlook, offsetting some of the structural positives such as global bond index inclusion. The "oil shock" is once again emerging as a key driver of currency weakness.
- Looking ahead, the near-term outlook for the INR remains weak. Currency movement will continue to be closely linked to oil price trends and overall global risk sentiment.

Global Central Banks: Unified Pause, Heightened Caution

- Major global central banks, including the US Fed, Bank of Japan, and Bank of England, chose to hold rates steady this week, reflecting a cautious and measured approach in an increasingly uncertain environment.
- With inflation risks rising again due to higher energy prices, the possibility of early rate cuts has diminished. The "higher-for-longer" narrative has regained prominence, with policymakers emphasizing data dependence.
- Policymakers also highlighted the limits of monetary policy in addressing supply-side shocks, with the focus remaining on anchoring inflation expectations despite emerging growth risks.
- Post the March 18 FOMC and rising oil prices, markets have repriced expectations, with the probability of the Fed staying on hold through 2026 rising to ~48% from ~30%, as central banks closely track oil-led inflation risks.

India 10-Year Benchmark: Yields Edge Higher

- The Indian 10-year benchmark yield moved higher during the week, touching levels close to 6.88% before settling in the 6.83-6.85% range. The move was largely in line with global bond market trends.
- Rising crude prices and INR weakness added to inflation concerns, while global yields also firmed up amid the "higher-for-longer" narrative. This combination kept upward pressure on domestic yields.
- At the same time, supply-related concerns contributed to a cautious tone in the market, leading to a mild bear steepening bias in the yield curve.
- Going ahead, yields are expected to remain volatile within a 6.75%-6.95% range, with the 7% level emerging as an important psychological threshold for the market.

State Borrowing: Supply Rises to ₹57,000+ Crore

- State government borrowing picked up meaningfully this week, with SDL issuances rising to around ₹57,000 crore. This reflects higher funding needs, especially toward the end of the fiscal year.
- The increase in supply has added pressure on the bond market, particularly at the longer end of the curve. Spreads between SDLs and G-Secs have widened as a result.
- Despite relatively softer demand conditions, the auctions were absorbed, indicating that institutional appetite remains intact, albeit at higher yield levels.

RBI Liquidity Measures: OMOs & VRR Provide Stability

- Liquidity conditions tightened during the week due to advance tax outflows and FX impact, briefly pushing the banking system into deficit. In response, the RBI conducted large-scale VRR operations to ease short-term liquidity pressures and keep overnight rates aligned with the policy corridor.
- At the same time, ongoing OMO purchases—amounting to roughly ₹4.6 lakh crore since January—continue to provide durable liquidity support to the system.
- Going ahead, the RBI is likely to remain active in managing liquidity, especially to offset FX-related outflows. The trajectory of the ongoing conflict and elevated oil prices will be key factors to monitor.

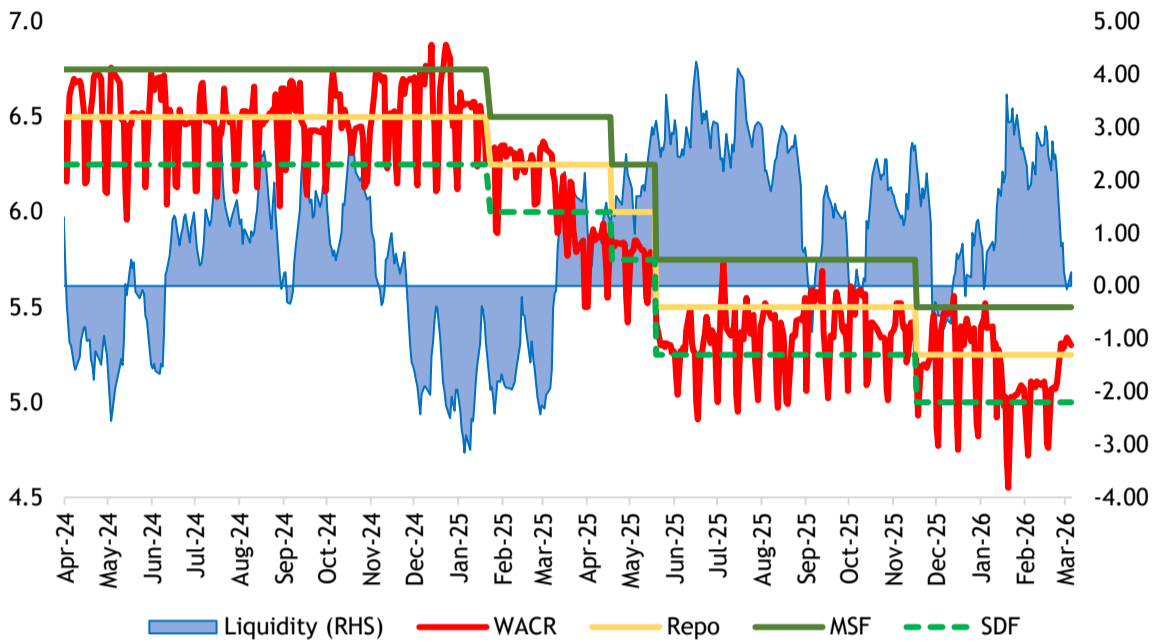
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Table 1: Market Snapshot Instrument	Yield (Mar 20)	Weekly Change	Commentary
10 Year G-Sec (6.48% GS 2035)	6.75%	+7 bps	"Others" buying dipped in previous week
1 Year T-Bill	5.60%	-1 Bps	Liquidity in surplus
US 10 year Yield	4.38%	+10 bps	Inflation expectations increased due to crude oil shocks
Credit Growth (%) (as of 28 th Feb'26)	15.4%	+207 bps	Credit & Deposit growth increased on fortnight basis with gap widening
Deposit Growth (%) (as of 28 th Feb'26)	13.0%	+163 bps	
Credit Deposit Wedge (bps) (as of 28 th Feb'26)	232	-45 bps	

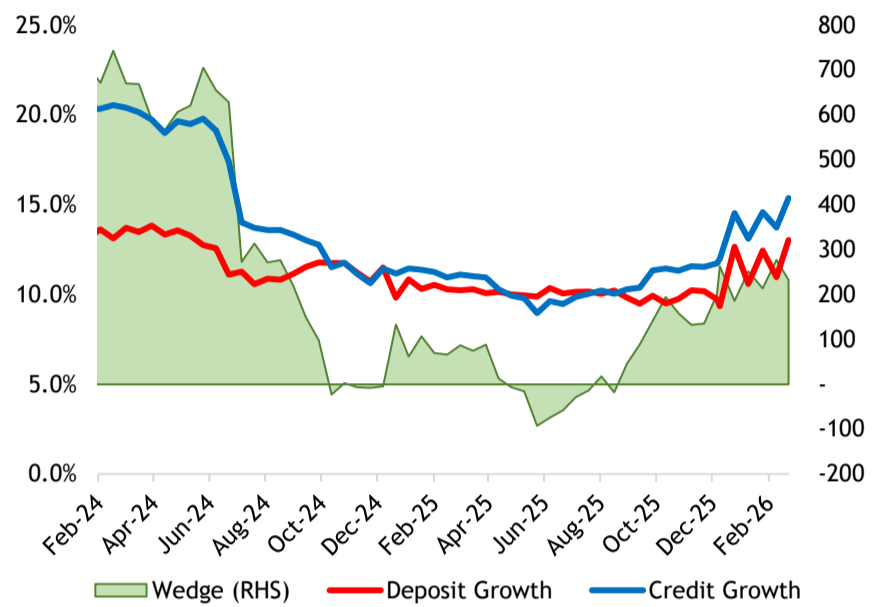
Source: RBI, CCIL, UBI Research

Fig.2: WACR moved up liquidity conditions tightened; (%)



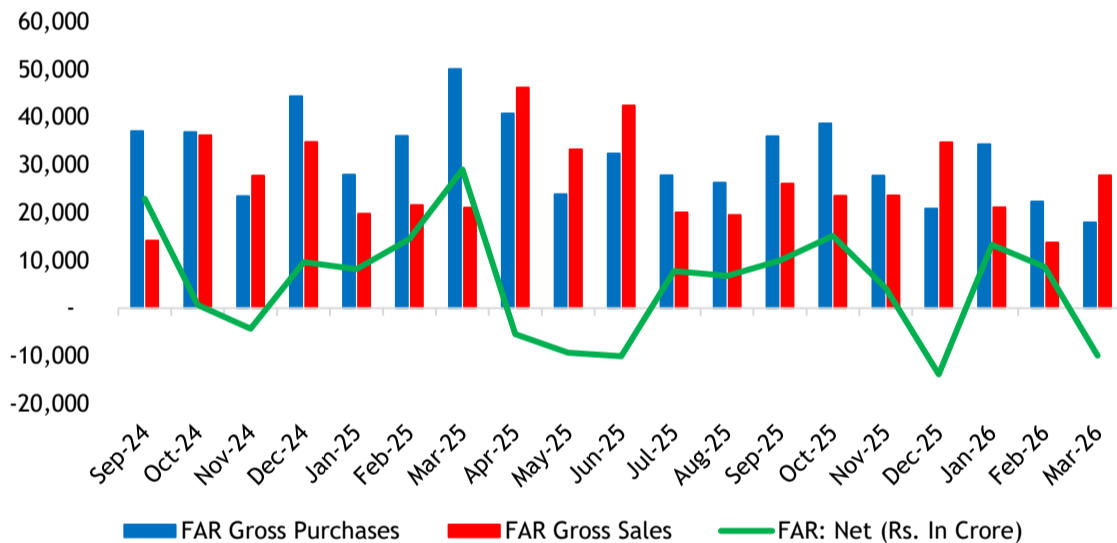
Source: Bloomberg, CEIC, UBI Research

Fig.3: Credit Deposit Gap widened to ~232 bps in fortnight ending 28th Feb 2026



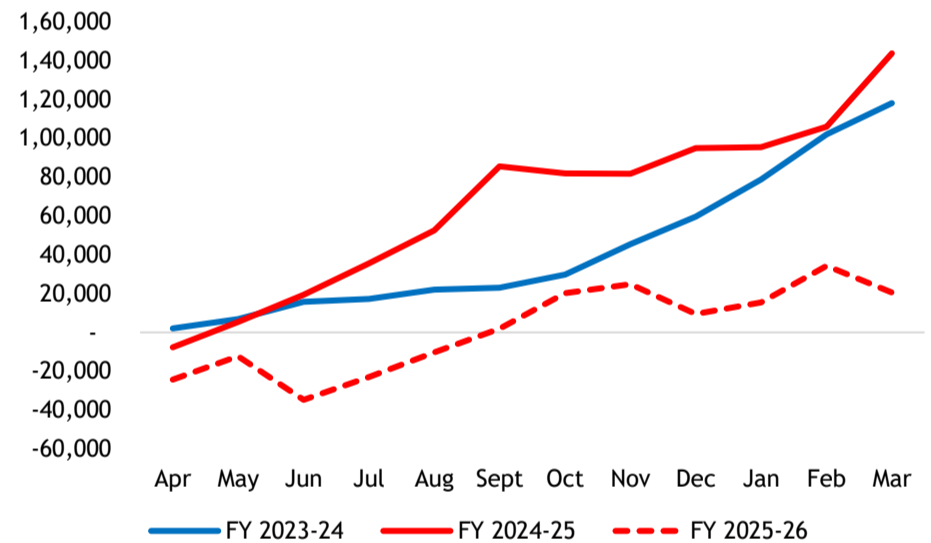
Source: CEIC, UBI Research

Fig.4: Flows in FAR securities turned volatile in Q4FY26; (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	58.10
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	-11.1	12.42	-7.33	-8.52	
Vehicle registrations (% y/y)	26.80	3.41	1.74	14.32	3.62	-7.11	33.70	13.61	-10.39	7.26	-5.24	0.55	3.34	6.04	5.48	-3.30	3.47	5.98	41.94	2.85	14.54	18.92	25.02
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	5.72	6.03	-12.5	18.66	1.29	0.61	-0.81
Imports (% y/y)	11.08	7.35	5.25	11.91	10.44	8.29	3.22	16.75	2.75	10.66	-14.20	12.13	19.99	-1.33	-3.43	9.09	-9.54	17.67	16.94	-1.94	8.67	19.87	24.12
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	2.73	3.21
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	3.38	3.41
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	14.02
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	11.31
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	82.70
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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