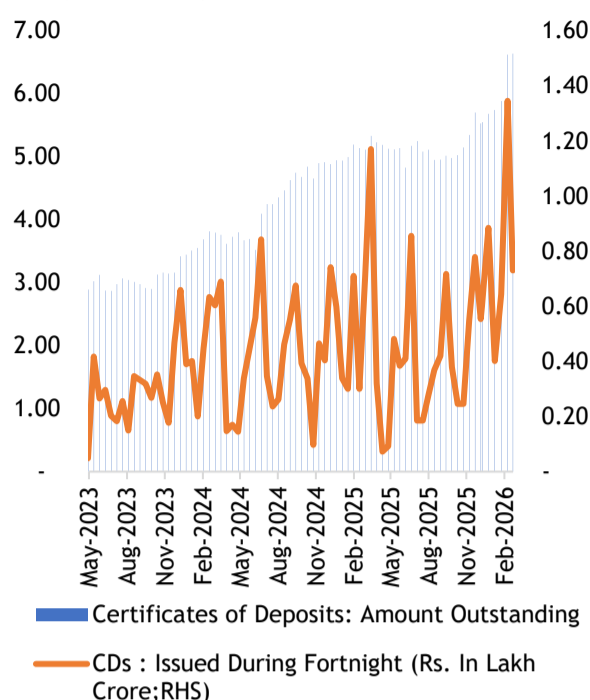


Fig. 1: O/s Certificate of Deposits doubled from 2023 to 2026; (Rs. In Crore)



Source: RBI, UBI research

Global bond markets witnessed heightened volatility during the week ending 13 March 2026, largely driven by escalating geopolitical tensions and a sharp rise in crude oil prices. The US 10-year Treasury yield climbed to around 4.28% as investors reassessed inflation risks despite softer economic growth data. The ongoing US-Iran conflict pushed crude prices sharply higher, raising concerns about supply disruptions through the Strait of Hormuz and reigniting fears of energy-driven inflation. In India, the benchmark 10-year government bond yield remained relatively stable near 6.68%, supported by active RBI interventions and liquidity management despite global pressures. Domestic inflation edged higher but remained within the RBI's comfort range, while the rupee weakened to record lows amid rising oil prices and continued FPI outflows from equities. Amid these challenges, India managed to mitigate immediate energy supply risks through diplomatic engagement securing safe passage for Indian-flagged vessels through the Strait of Hormuz.

US 10 year yields rise as oil shock rekindles inflation concerns

- US 10-year Treasury yield moved higher during the week, closing near 4.28%, reflecting a rise of roughly 13-15 basis points. The increase was largely driven by escalating geopolitical tensions in West Asia and the sharp surge in global crude prices, which raised concerns about renewed inflationary pressures.
- Economic data released during the week presented a mixed picture. The PCE price index, the Federal Reserve's preferred inflation gauge, showed inflation moderating to 2.8% YoY, broadly in line with market expectations.
- At the same time, US Q4 GDP growth was revised down sharply to 0.7% from 1.4%, pointing to a slowdown in economic momentum. Despite weaker growth signals, yields remained elevated as markets focused more on the inflationary implications of rising energy prices.
- As a result, expectations of aggressive monetary easing have moderated, with markets currently pricing only one potential rate cut by the Federal Reserve in 2026, likely later in the year.

Oil price surge amid escalating US-Iran conflict

- Global Oil markets remained highly volatile as the US-Iran conflict intensified, raising fears of disruptions to energy supply through the Strait of Hormuz, one of the most important oil transit routes globally.
- Brent crude prices surged above \$115 per barrel during the week, before moderating slightly to around \$106 per barrel towards the end of the week amid reports of possible diplomatic engagement.
- The sharp rise in oil prices has increased concerns about energy-driven inflation globally, particularly for emerging market economies that are heavily dependent on oil imports.

India 10 year yield hold firm despite global volatility

- The India 10-year benchmark (6.48% 2035) traded with volatility during the week but remained relatively contained closing around 6.68%.
- Domestic yields faced upward pressure from rising global yields and the surge in crude oil prices. However, the market found support from active RBI interventions and liquidity measures, which helped limit the rise in yields.
- On the supply front, the market absorbed a heavy state government borrowing calendar of around ₹46,000 crore during the week. In addition, the central government conducted its final scheduled auction of the fiscal year, which saw reasonably healthy demand.
- Overall, despite global headwinds, the Indian bond market remained relatively stable as investors balanced inflation risks from oil with expectations of continued policy support from the RBI.

Inflation Edges Higher but Remains Within Comfort Range

- India's Consumer Price Index (CPI) inflation for February 2026 came in at 3.21% YoY rising from 2.74% in January. The increase was mainly driven by base effects and higher energy prices amid global geopolitical tensions.
- Food inflation (CFPI) also moved higher to 3.47%, although the rise was moderated by falling prices in several vegetables including tomatoes, peas and cauliflower.
- Despite the increase, overall inflation remains well within the RBI's target range, allowing the central bank some flexibility in managing liquidity and supporting growth.

RBI steps in to manage liquidity and stabilize markets

- Liquidity conditions in the banking system tightened during the week due to advance tax payments and GST-related outflows, prompting the Reserve Bank of India to step in with liquidity support.
- The RBI conducted Open Market Operation (OMO) purchases worth ₹50,000 crore, helping maintain a comfortable system liquidity surplus of around ₹2.49 lakh crore.
- In addition to scheduled OMOs, the RBI also stepped up secondary market bond purchases, with data indicating net purchases of approximately \$6.2 billion (₹572 billion) during the week to stabilize bond markets amid global volatility.
- While liquidity is currently in surplus, it is important to note that the outstanding stock of Certificates of Deposit (CDs) has doubled from around ₹3 lakh crore to ₹6 lakh crore between 2023 and 2026. This increase was driven by strong credit demand during that period, which pushed the credit-deposit ratio beyond 80% and led banks to rely more on wholesale funding sources such as CDs. Consequently, CD rates have firmed up, with 1-year CD rates rising by around 30 bps and 3-month CD rates trading at comparable levels.

India Navigates Energy Supply Risks Through Diplomatic Success

- The escalation in the US-Iran conflict created significant concerns around disruptions in oil and gas shipments through the Strait of Hormuz, a crucial energy supply route for India.
- India imports a substantial portion of its crude oil and nearly 91% of its LPG from the Gulf region, making uninterrupted maritime access through Hormuz critical for domestic energy security.
- In a significant diplomatic breakthrough, India successfully engaged with Iranian authorities to secure safe passage for two Indian-flagged vessels – Shivalik and Nanda Devi – carrying over 92,000 metric tonnes of LPG.
- This diplomatic success helped ease immediate concerns around supply disruptions and provided some relief to domestic financial markets, helping stabilize sentiment toward the end of the week.

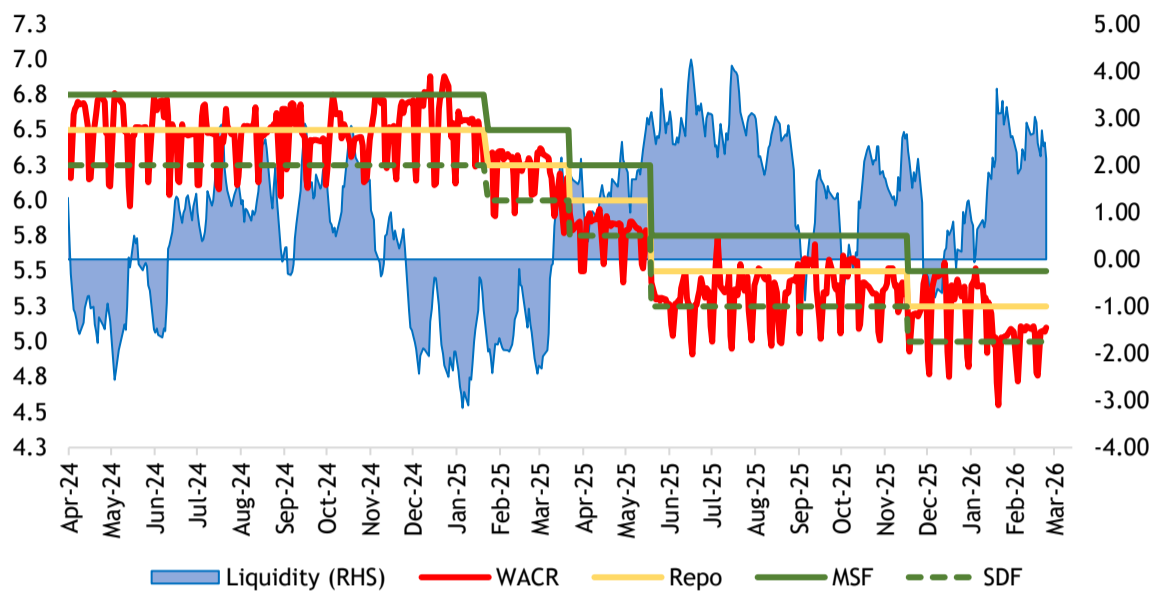
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Table 1: Market Snapshot Instrument	Yield (Mar 13)	Weekly Change	Commentary
10 Year G-Sec (6.48% GS 2035)	6.68%	-1 bps	"Others" buying absorbed Crude oil shocks
1 Year T-Bill	5.61%	+1 Bps	Liquidity in surplus
US 10 year Yield	4.28%	+14 bps	Inflation 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	

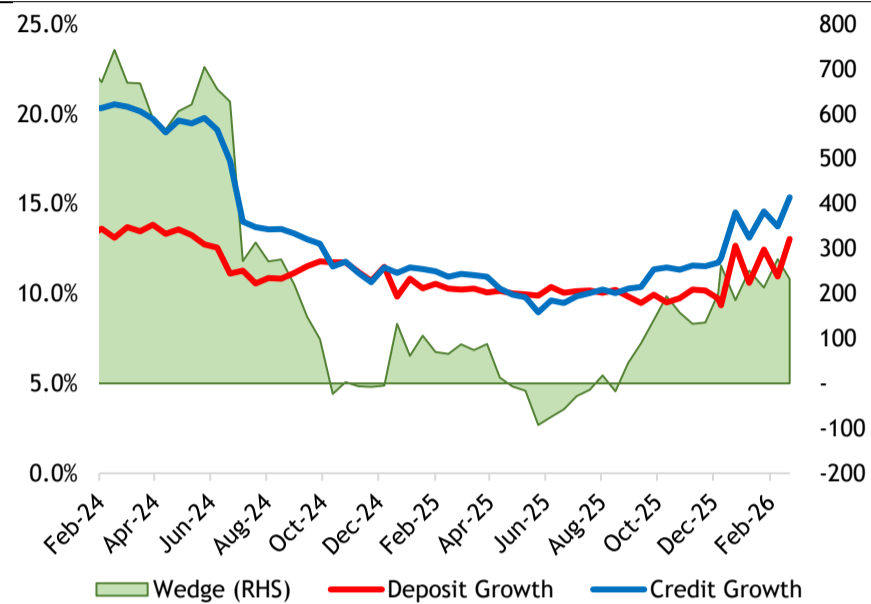
Source: RBI, CCIL, UBI Research

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



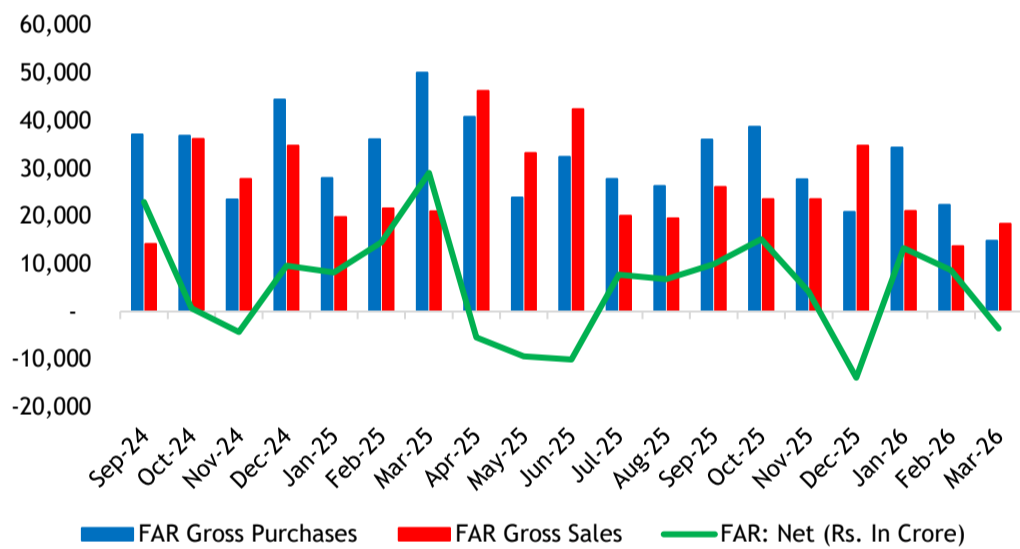
Source: Bloomberg, CEIC, UBI Research

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



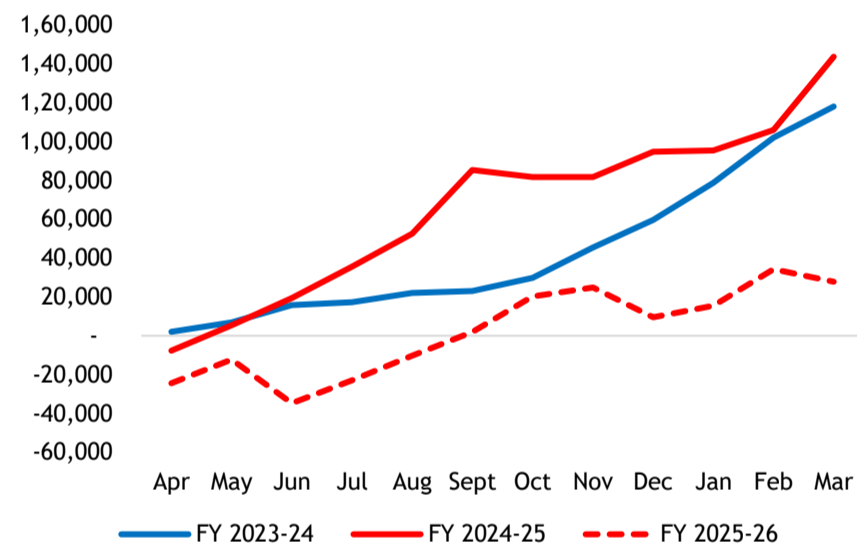
Source: CEIC, UBI Research

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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