

Table.1: T-Bills calendar supportive of liquidity; (Rs. in Crore)

T-Bills	91DTB	182DTB	364DTB	Total
Q1 Calendar	1,17,000	65,000	65,000	2,47,000
Q1 Auction	2,13,504	89,000	80,957	3,83,461
Q1 Maturity	2,07,815	95,389	86,579	3,89,783
O/w NCB	(54,280)	(17,640)	(6,955)	(78,874)
Q1 Net	5,689	-6,389	-5,622	-6,322
Q2 Calendar	1,26,000	78,000	65,000	2,69,000
Q2 Maturity	2,13,504	1,27,788	76,140	4,17,432
O/w NCB	(96,806)	(12,053)	(10,396)	(1,19,254)
Q2 Net	9,302	-37,736	-745	-29,179[^]

*Auction and Maturity includes Non-Competitive Bids (NCB) too;

[^] assume the maturity of Non-competitive bids amounting to Rs.1.19 lakh crore shall be replenished via Non-competitive bids

Source: RBI, UBI Research

The final week of June reinforced key themes: global rate volatility driven by policy recalibration, and the RBI's gradual yet strategic pivot in liquidity management through the VRRR tool. US Treasury yields softened amid dovish Fed commentary, easing geopolitical tensions, and mixed macroeconomic data, with the 10-year yield falling 16 bps before rebounding slightly on the back of sticky core PCE inflation. Domestically, the RBI signalled a shift in its stance by conducting a Rs.1 lakh crore VRRR—the first since November 2024—aimed at gradually aligning WACR with the repo rate, despite an ongoing liquidity surplus. This led to a rise in short-end rates, with T-Bill cut-offs breaching the policy rate. G-Sec markets faced mild pressure post-auction, while FPIs continued to offload shorter-maturity FAR securities. On the supply front, the RBI announced a Q2FY26 T-Bill calendar of Rs.2.69 lakh crore against maturities of Rs.4.17 lakh crore (incl. Non-Competitive Bidding). The SDL borrowing plan of Rs.2.86 lakh crore also remained broadly within market expectations, providing additional clarity and anchoring sentiment heading into July.

US 10 year yields softened during the week:

- US Treasury yields experienced a broad decline through the final week of June 2025, reflecting a dovish tilt in market expectations amid mixed macroeconomic signals and easing geopolitical concerns. The benchmark 10-year yield dropped from 4.40% on June 23 to 4.24% by June 27, a weekly fall of approximately 16 basis points.
- This decline was primarily driven by Fed Chair Powell's cautious commentary on tariff risks and inflation uncertainties, as well as reinforcement from other Fed officials favoring a wait-and-watch stance. In parallel, renewed market concerns around Fed leadership succession added to the flight-to-quality flows, enhancing demand for longer-duration Treasuries.
- However, a late-week reversal was seen on June 27, as core PCE inflation came in slightly higher than expected, pushing the 10-year yield back up to 4.28%. This bounce suggested markets may be recalibrating expectations around the timing of policy easing, with persistent inflation still a potential obstacle to immediate rate cuts. The week ultimately highlighted a tug-of-war between softening growth momentum and sticky inflation pressures.

VRRR as a trend shift (Read our Report: [We see VRRR as a trend shift](#)):

- On 27th Jun'25, RBI conducted a Rs.1.0 lakh crore, 7-day VRRR auction, its first since Nov 2024. The move came amid a systemic liquidity surplus averaging ~Rs.2.75 lakh crore in Jun 2025.
- The VRRR announcement has led to spike in T-Bill cut offs with 6M & 12M to trade above repo rate of 5.50%. WACR has been trending at SDF levels since June MPC, despite the shift in policy stance to neutral. While it is not unusual for the WACR to slip below repo rate in times of surplus of surplus liquidity conditions, the guiding principle of liquidity management framework calls for WACR aligned with repo rate. We believe that the pace of uptick in WACR is likely to be gradual (given the [RBI Governor's views](#) on liquidity & transmission) and contingent follow up of VRRR announcements.
- The VRRR cutoff came in at 5.49%, as expected, close to repo rate with RBI accepting Rs.84,975 crore against auction of Rs.1 lakh crore since bids were lower amid quarter end liquidity pressure. The WACR too jumped to trade at 5.39% on auction date as against 5.27% a day before.
- While some market participants expect the impact to be temporary, we see the use of VRRR as a trend shift, with likely use of the liquidity management tool to gradually align WACR (operating policy target) towards the repo rate (close to 5.40%) even as average systemic liquidity is likely to stay comfortable at ~1% of NDTL range in coming months (assuming FX intervention related drag on liquidity, if any, is capped).
- The RBI appears focused on managing excess liquidity while ensuring adequate funds for credit and government borrowing. The liquidity stance remains neutral but actively managed.

Liquidity stayed in surplus, expect more post quarter end

- Currently, the system liquidity is in surplus of Rs.2.6 lakh crore (as of 29th Jun'25) with WACR at 5.38% on 27th Jun'25. The govt. balance has increased from Rs.2.01 lakh crore (as of 13th '25) to Rs.2.79 lakh crore (as of 20th Jun'25) while the system liquidity moved from Rs.3.62 lakh crore to Rs.2.94 lakh crore in the same period showing impact of advance tax/GST payments.
- The 10-year (new) benchmark closed the previous week at 6.31%. In the weekly auction the cut-off price on the 6.33%, 2035 gilt was set at Rs.100.19, lower than market expectation of Rs.100.24. This spooked the market participants and led to selling post auction as traders intend to trim their position before weekend.
- Foreign Portfolio Investors (FPIs) have largely remained on the sell side in the debt segment during two out of the three months in FY26 so far. In particular, June 2025 saw net outflows, with selling pressure concentrated in FAR (Fully Accessible Route) securities, especially in maturities below 5 years.

RBI announced SDL and T-Bills calendar for Jul-Sep quarter

- An SDL calendar amounting to Rs.2.86 lakh crore has been announced for Jul-Sep quarter, which was in line with the market expectations of Rs.2.60 to Rs.3.0 lakh crore. The SDL calendar for Apr-Jun quarter was announced for Rs.2.73 lakh crore of which Rs.2.01 lakh crore has been actually raised on gross basis. In the previous quarter a shortfall of Rs.0.72 lakh crore has been observed.
- As per the T-Bills calendar announced, the govt. plans to raise Rs.2.69 lakh crore through T-Bills auctions during Jul-Sep quarter. This includes Rs.1.26 lakh crore in 91-day T-Bills, Rs. 78,000 Crore in 182-day T-Bills and Rs.65,000 Crore in 364-day T-Bills.
- During Q1 FY26, the gross issuance of Treasury Bills stood at Rs.3.83 lakh crore, while maturities totaled Rs.3.89 lakh crore, resulting in a net negative issuance of Rs.0.06 lakh crore. Looking ahead to Q2 FY26, the RBI's T-Bill issuance calendar outlines a gross supply of Rs.2.69 lakh crore, which will be offset by maturities worth Rs.4.17 lakh crore implying a further net liquidity injection of Rs.0.29 lakh crore (as we assume the maturity of Non-competitive bids amounting to Rs.1.19 lakh crore shall be replenished via Non-competitive bids).

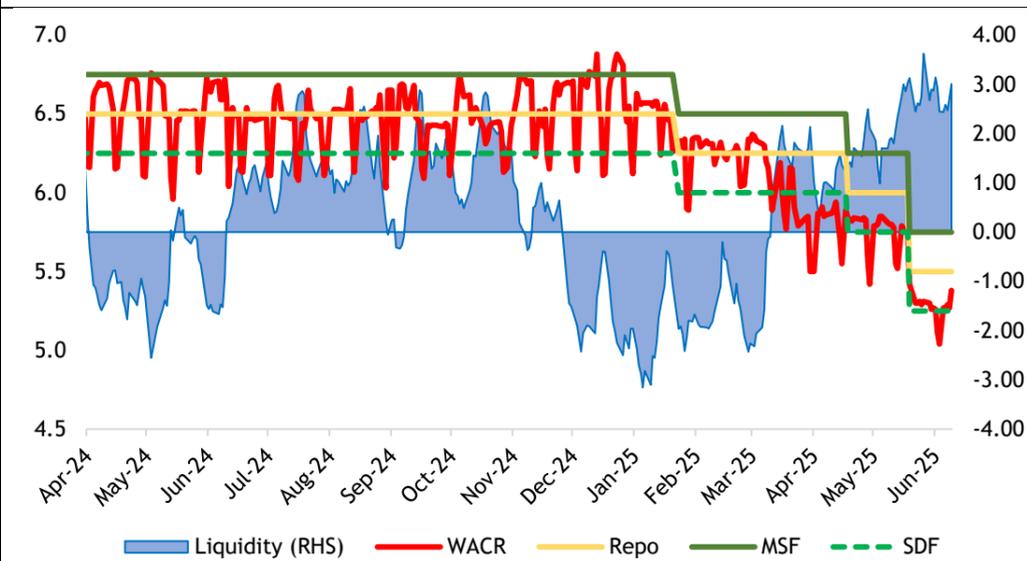
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Table 2: Market Snapshot Instrument	Yield (Jun 27)	Weekly Change	Commentary
10 Year G-Sec (6.33% GS 2035)	6.31%	-	Post VRRR stable yet sensitive
1 Year T-Bill	5.53%	+6 bps	VRRR announcement brought up T-Bill rates above Repo rate
US 10 year Yield	4.27%	-11 bps	Flight to quality on Fed leadership succession
Credit Growth (%) (as of 13 th Jun'25)	9.6%	+48 bps	Credit & Deposit growth up on fortnight basis, while negative gap continues
Deposit Growth (%) (as of 13 th Jun'25)	10.4%	+66 bps	
Credit Deposit Wedge (bps) (as of 13 th Jun'25)	(74)	+18 bps	

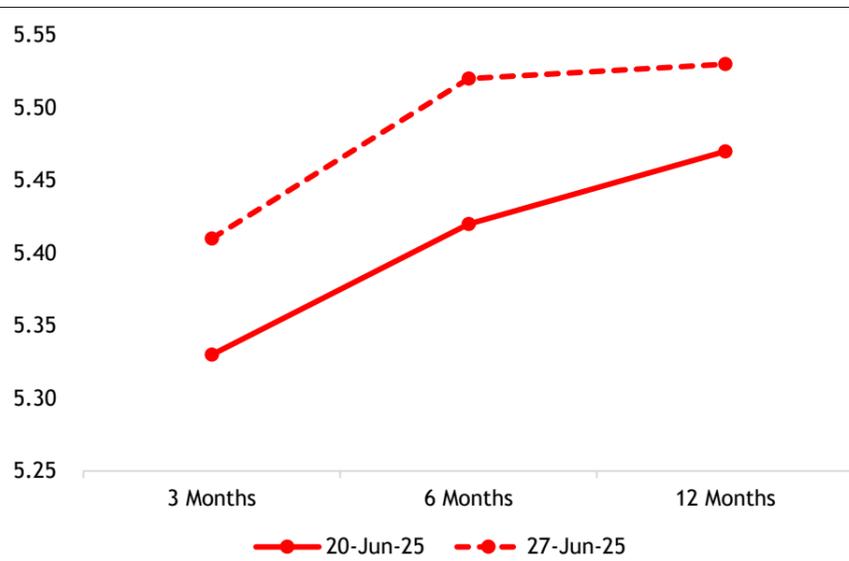
Source: RBI, CCIL, UBI Research

Fig.1: WACR moved upwards post VRRR auction



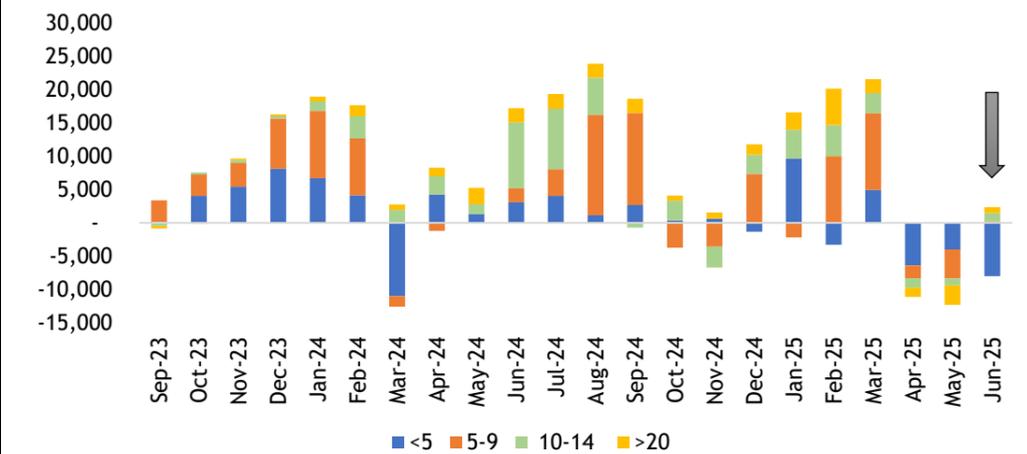
Source: Bloomberg, CEIC, UBI Research

Fig.2: T-Bill curve moved upwards during the week due to VRRR auction announcement



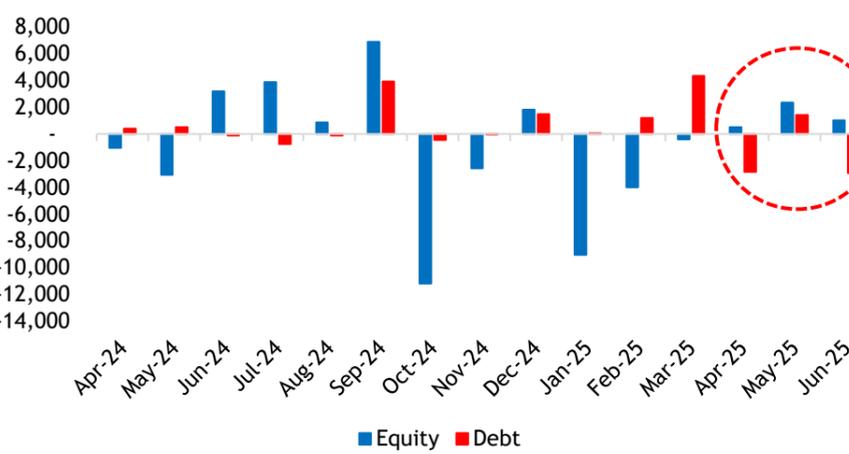
Source: FBIL, UBI Research

Fig.3: FAR securities witnessing selling in selective maturity (below 5 years) in Jun'25



Source: NSDL, UBI Research

Fig.4: FPIs flows have been on sell side in Debt Segment in 2 out of 3 months during FY26 (TD); (Amount in Million USD)



Source: Bloomberg, UBI Research

Table 3: 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
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
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	60.70
GST Collection (YoY Gr%)	12.42	9.96	7.63	10.28	9.99	6.47	8.92	8.54	7.26	12.29	9.09	9.89	12.58	16.39	
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	
Vehicle registrations (% y/y)	26.90	3.49	1.64	14.11	3.50	-7.46	33.58	13.85	-11.46	7.69	-5.38	0.66	3.30	5.52	
Exports (% y/y)	1.98	13.27	2.44	0.63	-9.93	-0.30	16.57	-5.30	-1.53	-2.62	-11.08	0.66	9.02	-2.18	
Imports (% y/y)	11.07	7.30	4.64	11.19	9.97	7.77	1.89	16.10	2.32	10.31	-16.34	11.36	19.13	-1.73	
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	
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	4.17	
Transmission															
Bank Credit (YoY Gr%)	19.21	20.72	17.40	13.71	14.03	12.34	11.80	11.16	11.16	12.53	12.26	11.03	10.09	8.96	
Bank Deposits (YoY Gr%)	12.56	14.02	11.12	10.57	12.72	10.38	11.50	11.25	9.83	12.12	12.01	10.28	9.79	9.89	
C-D Ratio (%)	79.90	79.90	79.70	79.70	78.80	79.60	79.80	79.90	80.80	80.60	80.80	81.10	80.10	79.30	
WALR O/s Rupee Loans (%)	9.81	9.81	9.89	9.89	9.89	9.88	9.88	9.87	9.86	9.85	9.78	9.75	9.68	9.69	
WALR Fresh Rupee Loans (%)	9.55	9.39	9.32	9.40	9.41	9.37	9.54	9.40	9.25	9.32	9.40	9.35	9.26	9.20	
WADR O/s (%)	6.91	6.92	6.91	6.92	6.93	6.95	6.96	6.98	7.00	7.02	7.02	7.04	7.10	7.07	
WADR Fresh (%)	6.48	6.47	6.46	6.48	6.46	6.54	6.44	6.47	6.58	6.57	6.49	6.65	6.34	6.11	
MCLR 1 Year - Median	8.85	8.79	8.85	8.85	8.93	8.95	8.95	9.00	9.00	9.00	9.05	9.00	9.00	8.95	8.90

Source: CEIC, UBI Research

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