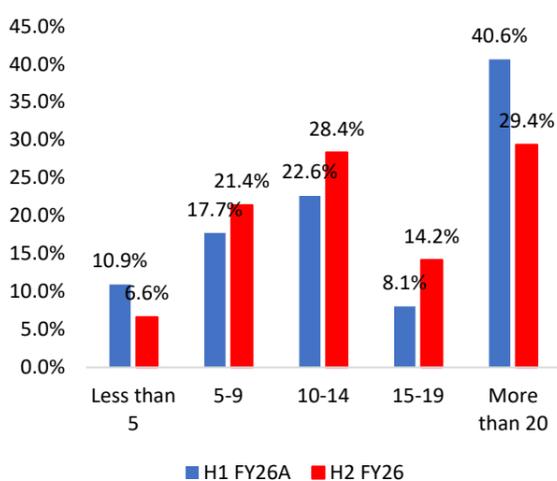
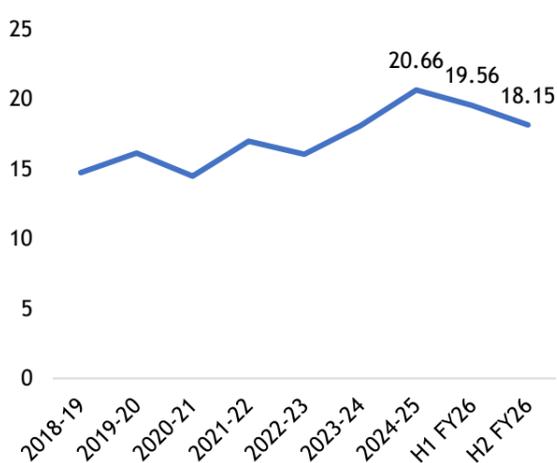


Fig.1: Share of borrowing in different maturities; (%)



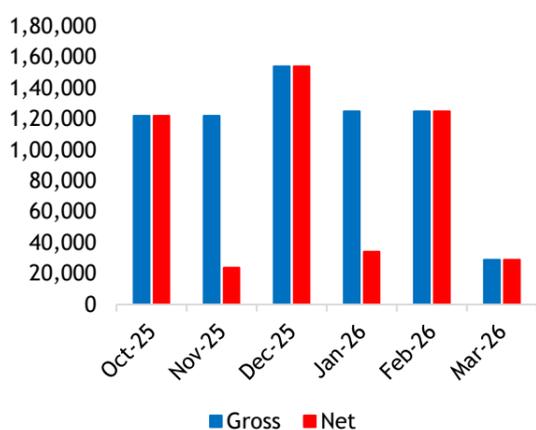
Source: RBI, UBI Research

Fig.2: Weighted Average Maturity curbed in H2FY26; (years)



Source: RBI, UBI Research

Fig.3: Gross and Net Issuance on monthly basis; (Rs. In Crore)



Source: RBI, UBI Research

The Government has announced Rs.6.77 lakh crore in gross borrowings via dated securities in H2 FY26, aligned with the full-year budgeted plan. The issuance strategy reflects a measured shift away from ultra-long bonds (>20 years) toward mid-duration tenors (10-14 years and 5-9 years), leading to a reduction in weighted average maturity to 18.15 years from 19.56 years in H1. On the short-term front, T-Bill net issuance is negative at Rs.1.10 lakh crore, pointing to a drawdown of short-end debt and easing near-term liquidity pressures. This composition supports a more balanced maturity profile, with fewer ultra-long issuances easing pressure at the long end of the curve and increased supply in the 10-14 year segment enhancing liquidity in the belly of the curve. The calendar is moderately supportive of long duration strategies, especially in a backdrop of disinflation and potential policy easing. The next big event for bond market is MPC where we expect a 25 bps rate cut, anchored by softer inflation projections and GST-driven disinflation. The tone is expected to stay dovish, keeping the window open for easing by December.

### H2 FY26 Borrowing Calendar matches market expectations:

- The Central Government has announced a gross borrowing of Rs.6.77 lakh crore via dated securities in H2 FY26, to be conducted over 22 weekly auctions ending by March 6, 2026.
- The issuance mix indicates a strategic shift away from ultra-long tenors (>20 years) toward the 10-14 year and 5-9 year maturity buckets, marking a conscious move to modestly reduce the weighted average maturity (WAM).
- The WAM of issuance drops to 18.15 years in H2, from 19.56 years in H1, and 20.66 years in FY25. The strategy shows a modest shortening bias in maturity profile, balancing investor demand and rollover risk in a nuanced yield environment.

### Borrowing composition shifts from Ultra long to Mid-long tenors

- The maturity-wise distribution of dated issuances for H2 FY26 reflects a recalibration in duration strategy.
- The share of issuance in the ultra-long segment (>20 years) has been reduced by more than 11 ppt, while the 10-14 year bucket has gained nearly 6 ppt.
- This shift is further reflected in the WAM, which continues its downward trajectory from previous peaks. The moderation in WAM suggests an intention to contain duration risk, possibly in anticipation of rate cycle inflections or to align with evolving demand dynamics at auctions.

FY	<5Y	5-9Y	10-14Y	15Y-19Y	>20Y	FRBs	Total Gross Borrowing (%)	Total Gross Borrowing (Rs. In Lakh Cr.)	Net Borrowing (Rs. In Lakh Cr.)
FY22	5.4%	16.5%	40.5%	0.0%	29.8%	7.8%	100.0%	11.27	8.63
FY23	6.2%	24.3%	38.1%	0.0%	28.8%	2.5%	100.0%	14.21	11.08
FY24	6.2%	21.4%	38.1%	0.0%	34.3%	0.0%	100.0%	15.43	11.80
FY25	5.1%	18.4%	24.7%	13.6%	38.2%	0.0%	100.0%	14.01	10.39
H1 FY26A	10.9%	17.7%	22.6%	8.1%	40.6%	0.0%	100.0%	7.95	5.88
H2 FY26	6.6%	21.4%	28.4%	14.2%	29.4%	0.0%	100.0%	6.77	4.88

H1 FY26A is actual; \*FY26 was budgeted at Rs 11.53 lakh cr assuming that GST compensation cess fund is used for financing redemptions worth Rs. 0.67 lakh cr, however the calendar has now planned for net borrowing of Rs. 10.76 lakh cr; Source: RBI, India Budget documents, UBI research

### T- Bill issuances : Net negative across the curve

- The short-term borrowing program for H2 FY26 indicates a net reduction in the outstanding stock of Treasury Bills. The bulk of the contraction is concentrated in 91-day bills, where redemptions exceed issuances by Rs.0.87 lakh crore.
- The net negative supply is likely to ease near-term liquidity pressure and may be interpreted as a signal of reduced reliance on short-end funding.

Q3FY26 T-Bill Calendar				
Rs. in Lakh Crore	91 day	182 day	364 day	Total
Gross Borrowing	0.91	0.78	0.78	2.47
Redemption	1.78	0.89	0.90	3.57
Net issuance	-0.87	-0.11	-0.12	-1.10*

\*This number can be small if the collections from non-competitive bids continue to remain strong; Source: RBI, UBI research

### Policy Outlook: October MPC - A Close Call, But Bias for a Cut:

- The reduction in ultra-long supply is likely to ease pressure at the far end of the curve, particularly for 40-50 year tenors. The build-up in 10-14 year issuances supports liquidity in the belly of the curve and aligns with benchmark preferences of institutional investors. Extending auction schedules into early March could distribute supply more evenly, potentially aiding auction absorption and reducing monthly bunching.
- The H2 FY26 borrowing calendar presents a moderately supportive backdrop for duration. While the reduction in WAM reflects caution, the absolute maturity profile remains long by historical standards. The balance between managing rollover risks, market absorption capacity, and long-end demand creates constructive conditions for tactical long positions, especially in the 10-14 year bucket.
- Post announcement of H1FY26 borrowing calendar, the G-Sec 10-year benchmark has moved upto 6.57% on 29<sup>th</sup> Sep'25 as borrowing calendar increased the 10 year paper issuance in H2FY26 to 28.40% from 26.20% in H1FY26. However, the share of 30 years and above in H2 is set at 29.4%, down from 35% in H1, which was lower than expectations leading to rally in long range bonds. Market now awaits SDL borrowing calendar for H2FY26.
- With the October policy meeting as next trigger, we expect the MPC to deliver a 25 bps repo rate cut, supported by a likely downward revision in FY26 inflation forecasts, possibly to around 2.5%, incorporating the anticipated GST-driven disinflation (~60 bps) starting October 2025. More than the rate move, the tone of communication will be critical. A dovish pause could ease financial conditions more effectively than a hawkish cut. While the US Fed's recent easing was framed as risk management, we see the RBI's move, if delivered, as a confidence-building step, reinforcing its inflation credibility amid a benign price environment. Should the cut be deferred, we still expect at least 25 bps of easing by December 2025, as inflation surprises to the downside and growth risks persist from global trade tensions.

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