Data Taste Revealed

*Samir Kumar
**Dr. MadhavanKutty G

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Discussion

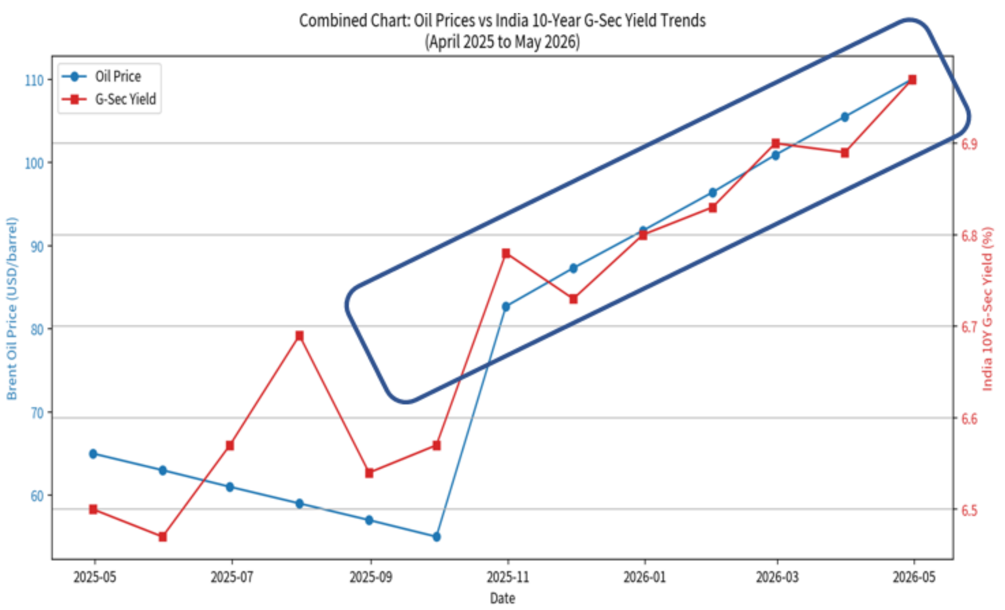
Whether Oil Prices Exhibit Strong Positive Co-Movement with India's 10Y G-Sec Yield...?

Data Source

Tradingconomics.com, Investing.com

Reflections

- ✓ Rising crude oil prices appear to have exerted upward pressure on India's benchmark government bond yields during April 2025-May 2026.
- ✓ It highlights the continued importance of energy prices in shaping domestic inflation and interest rate expectations.
- ✓ A strong positive relationship between crude oil prices and India's 10-year G-Sec yield.
- ✓ Roughly 58% of the variation in bond yields during the period can be statistically associated with movements in oil prices.
- ✓ As oil prices increased from around US$55-65/bbl in late 2025 to nearly US$110/bbl by May 2026, the benchmark yield moved from approximately 6.45% to 6.90%.



Relationship:

- ❑ Correlation Coefficient (R) : 0.76
- ❑ R-Squared (R^2) = 0.58

Effect

Every $10 rise in oil historically associated with 10 bps increase in benchmark yield during the observed period.

- ❖ *Oil prices = Average Brent crude in that month.*
- ❖ *G-Sec yields = Average of daily 10-year benchmark yields for the month.*

Key Takeaway:

Oil prices have re-emerged as a key determinant of India's bond market. Sustained crude prices above US$100 per barrel could complicate inflation management, limit the RBI's easing cycle, and keep long-term borrowing costs elevated across the economy.

*** Senior Manager, Economic Research Vertical, Canara bank ** Chief Economist, Canara Bank***