



Economic Research Vertical: Canara Bank: Head Office

Discussion

Whether Indian Corporate Bond is taking Time -Out, as G-Sec yield curve is climbing ?

Data Source

<https://tradingeconomics.com/india/government-bond-yield>, [https://www.sebi.gov.in/Statistics/CorporateBonds/Private Placement Data Of Corporate Bonds - New](https://www.sebi.gov.in/Statistics/CorporateBonds/PrivatePlacementDataOfCorporateBonds-New)

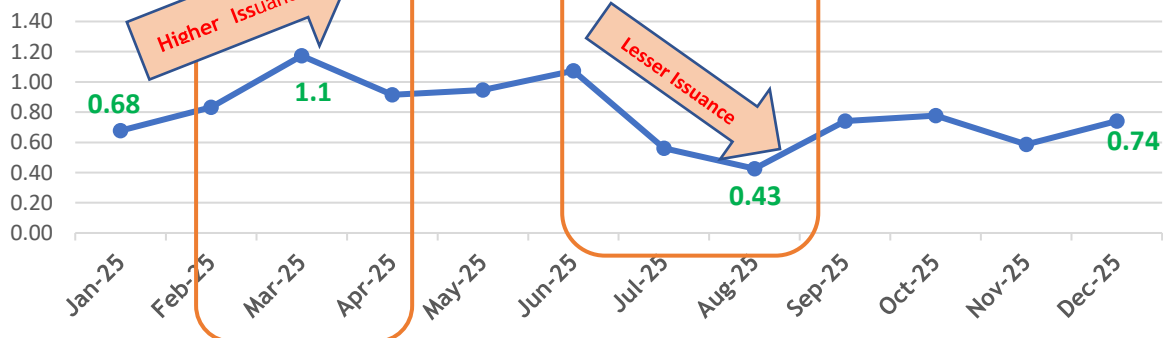
Reflections

- ✓ Fresh corporate bond issuances hit a record high of ₹1.1 trillion in FY 2024-25 (ending March 2025), driven by lower yields.
- ✓ However, in FY 2025-26 (April 2025 onward), issuance slowed notably in the first nine months (down 6% Y-o-Y to ₹6.76 trillion), with tepid activity in Q2 and Q3 FY26 due to persistently high yields shifting preference to bank loans
- ✓ Visuals given below confirm the inverse relationship: lower G-Sec yields in early/mid-2025 boosted record issuance, while the rise to 6.7%+ levels in late 2025-early 2026 constrained new issuances by elevating costs and favoring alternatives like bank funding.

G Sec Yields Trend Line (Jan25-Jan 26)



Issuance Value of Corporate Bond (₹ Trillion), (Jan, 25 - Jan, 26)



Key Takeaway:

Rising G-Sec yields act as a brake on corporate bond issuance by increasing funding costs and altering borrower preferences. Lower yields fuel the market boom. This dynamic explains much of the issuance volatility seen in recent periods, with the 10-year G-Sec yield remaining the single biggest pulse for corporate debt activity in India.