DEBT CAPITAL MARKET REPORT

FEBRUARY,2026

INDIA

In February 2026, banks tapped the CD market for ₹2.56 lakh crore, up from ₹1.27 lakh crore a year earlier.

February saw banks tapping the CD market at softer levels than January. The previous month had witnessed a sharp rise in short-term funding costs amid liquidity stress, which later moderated by 15–30 bps following central bank injections.

Rates on 1-year CDs eased to 6.85% from 7%. PNB and BOB were among the largest issuers in February, raising about ₹31,260 crore and ₹27,225 crore respectively, with most activity concentrated in the 9–12-month segment.

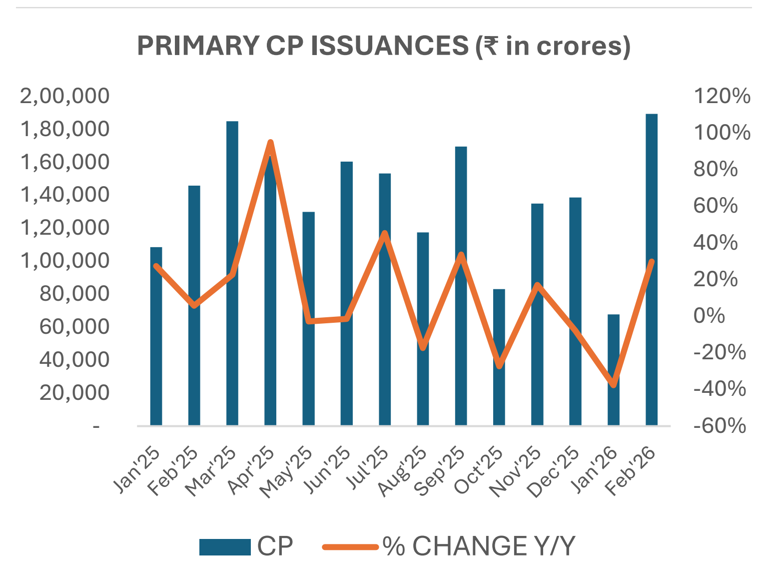
Primary CP issuances in February 2026 grew 103% year-on-year compared to February 2025. NBFCs accounted for about ₹92,242 crore, with most activity concentrated in the >1M–3M segment, which rose sharply to ₹1,37,829 crore from ₹29,726 crore in January. NBFC primary issuance was up 29% y/y, with Kotak Securities leading among NBFCs and Reliance Retail Ventures topping the manufacturing category.

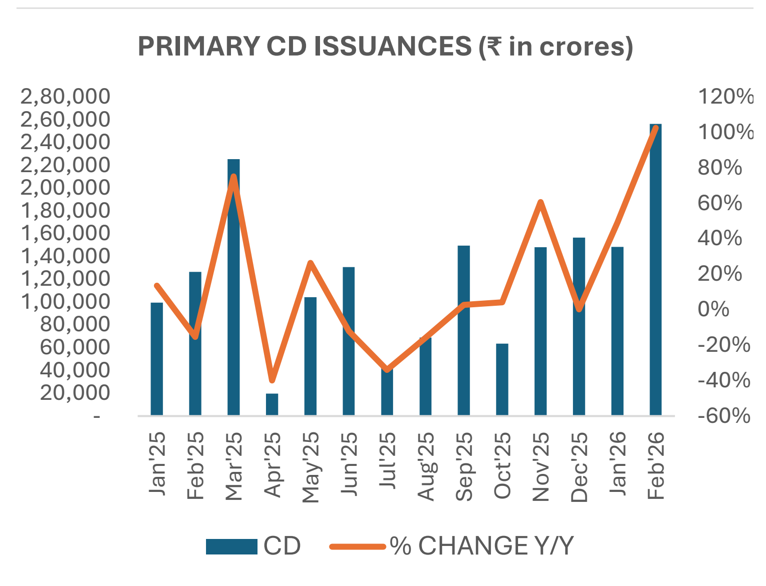
January saw liquidity stress from RBI's activity in the FX market and faster credit expansion, while February marked a return to surplus conditions.

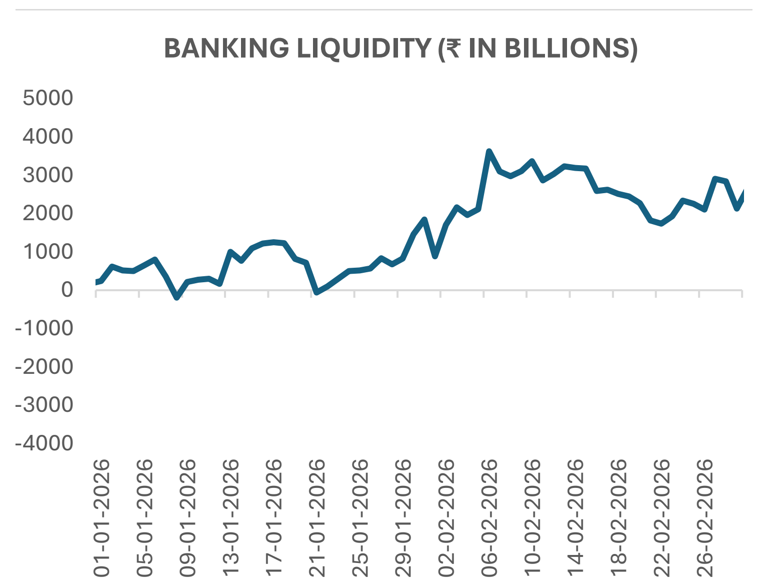
Liquidity was supported by RBI's ₹1.36 lakh crore term VRR infusion, which helped ease funding stress and drove overnight call rates below repo.

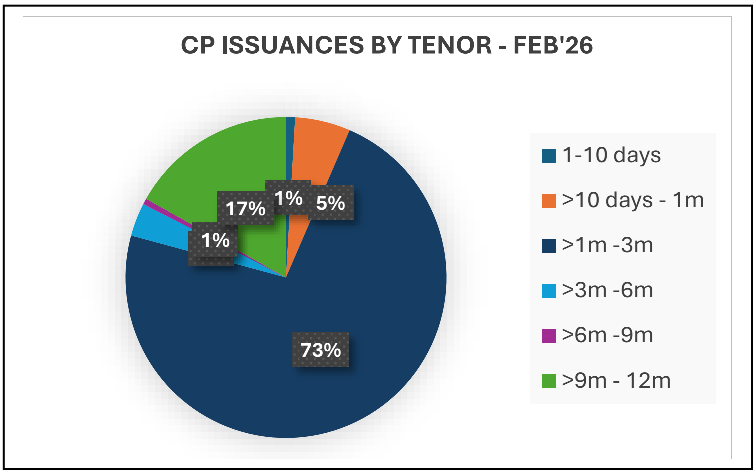
RBI is likely to mop up surplus liquidity after March using variable rate reverse repos, which haven't been used since December. Liquidity conditions in March tend to be volatile given tax outflows, banks' year-end balance-sheet needs, and uneven fiscal spending

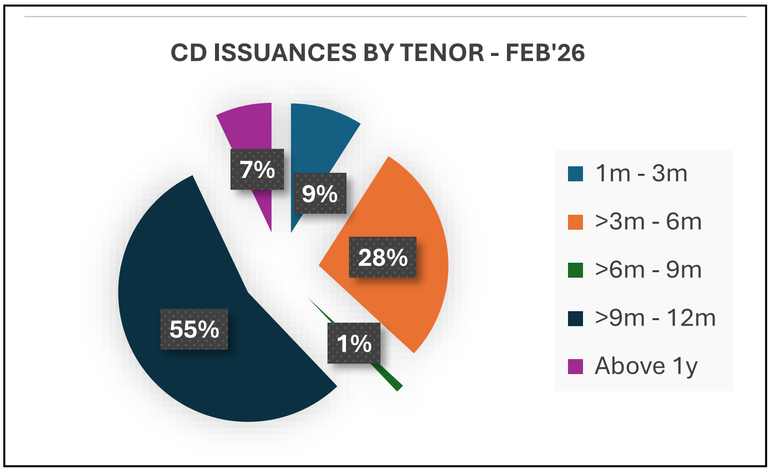
Policy Rates are expected to stay stable for longer, given inflation is tracking near the RBI's 4% goal. Strong demand from banks, insurers, and pension funds may eventually push long-term yields down, offsetting supply concerns.



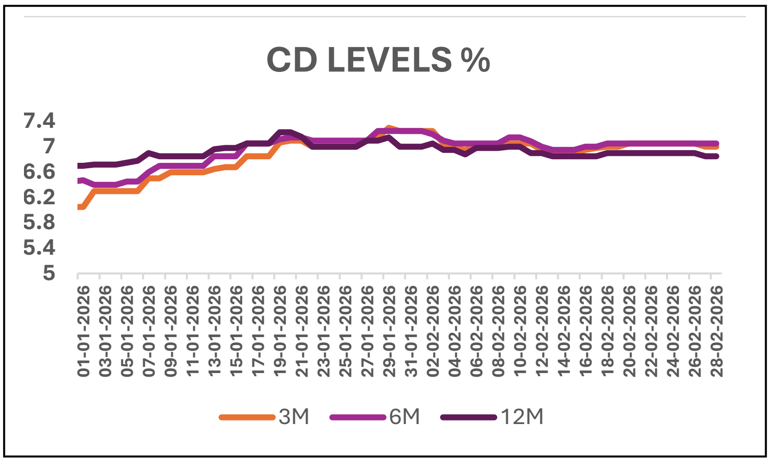


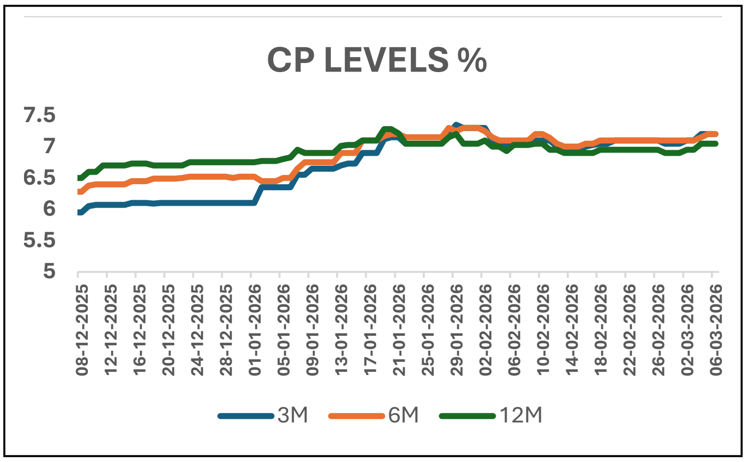




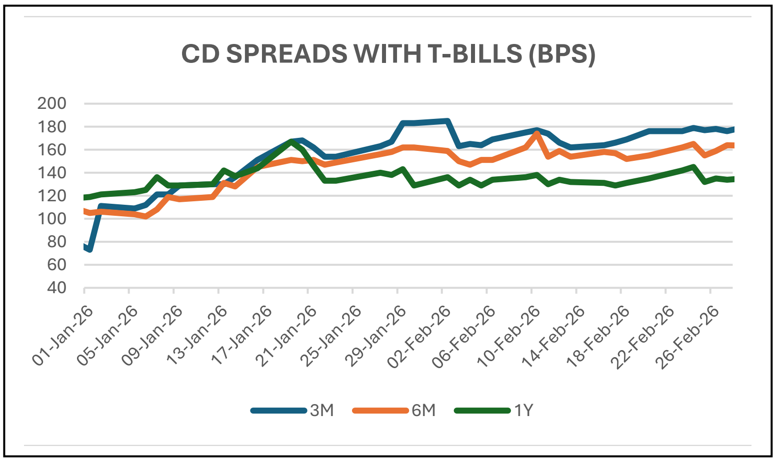


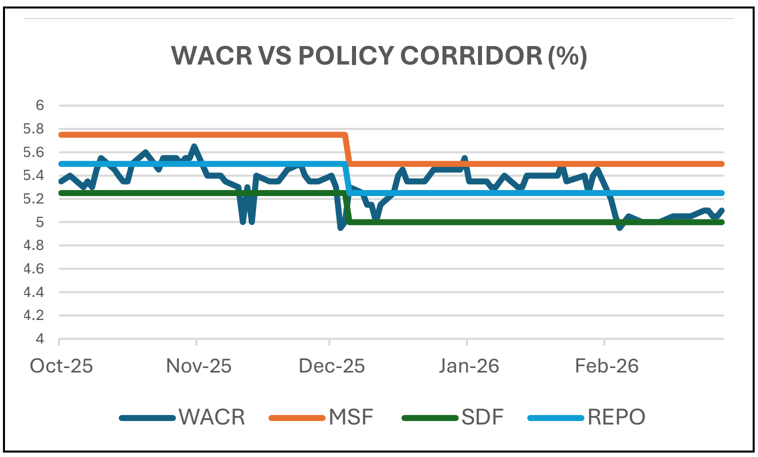
Improving liquidity conditions led to a sharp fall in money market yields, particularly in the shorter tenure segments.CD yields declined from Jan-end (3M: 7.25%, 6M: 7.25%, 1Y: 7%) to Feb-end (3M: 7%, 6M: 7.05%, 1Y: 6.85%).



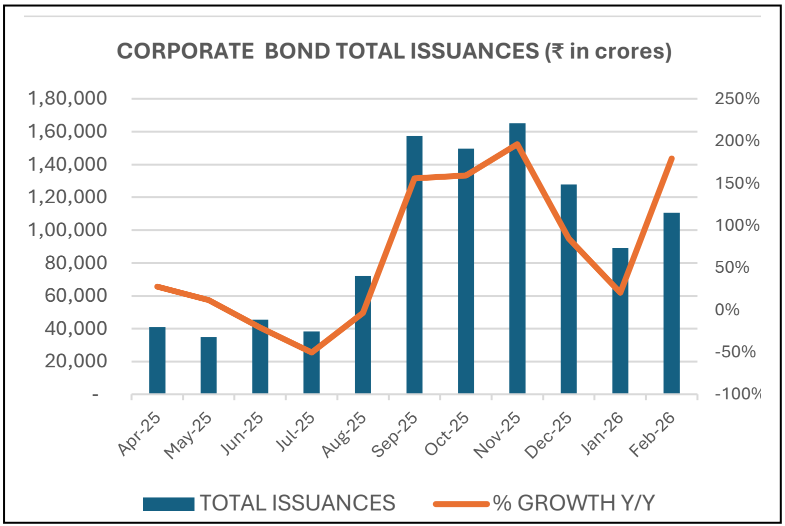


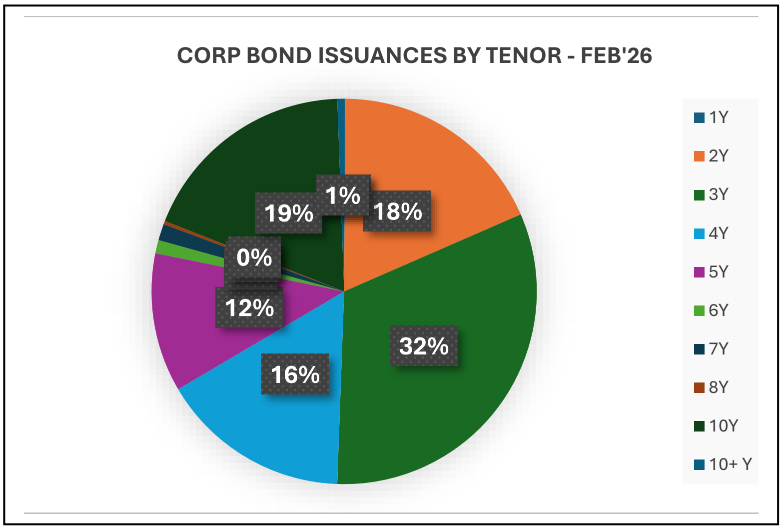
System liquidity surplus rose from ₹1.82 trillion at end-January to about ₹2.7 trillion by end-February. The increase was driven by government spending returning to banks and RBI's continued infusions via OMOs and variable rate operations. As a result, the weighted average call rate fell to around 5%, below the repo rate of 5.25% and near the lower bound of the policy corridor.



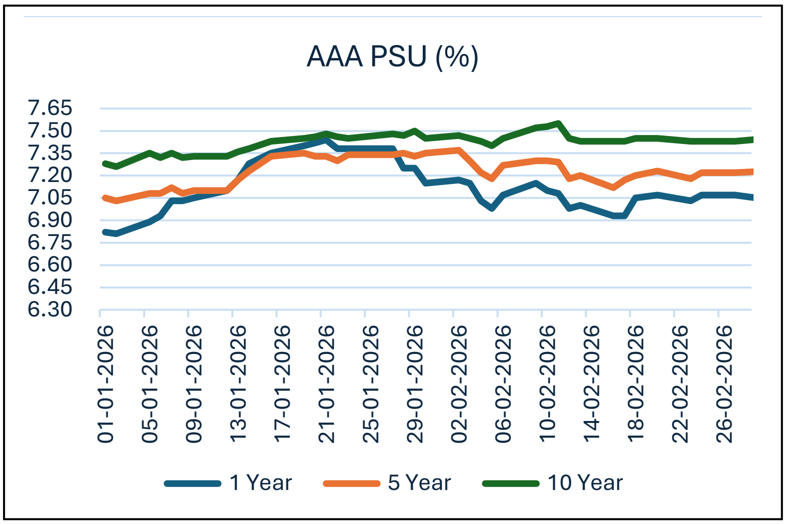


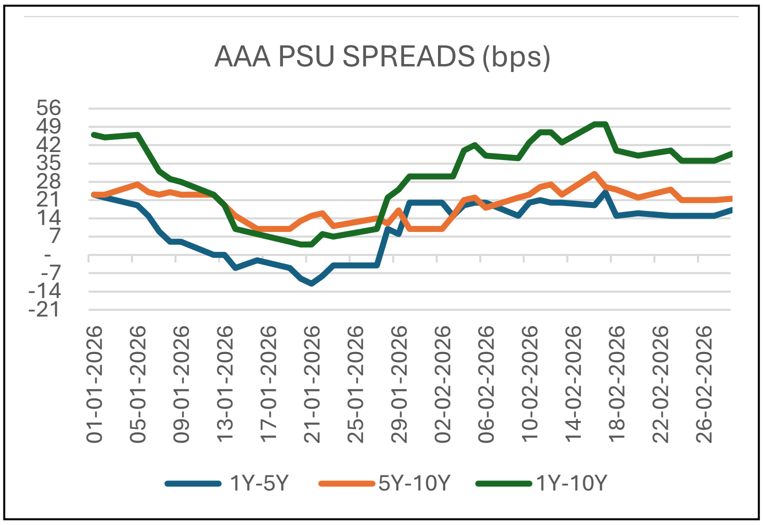
Corporate bond issuance jumped 179% in February 2026 compared to February 2025. PSUs raised about ₹36,531 crore, with most activity in the 3-year segment and very little in the 1-year tenor.



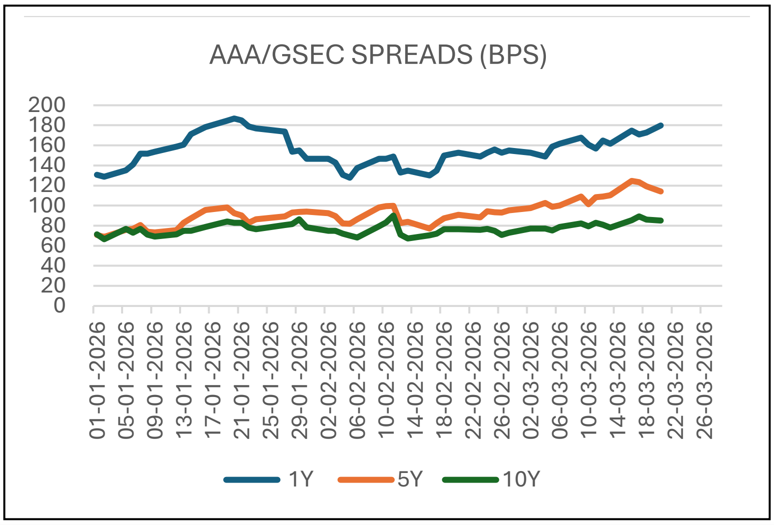


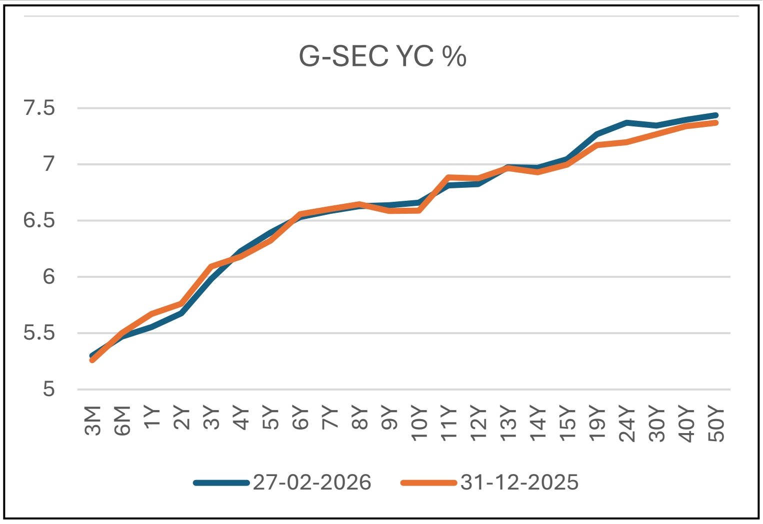
In February, AAA PSU yields eased across the curve, with the 1Y down 18 bps, 5Y lower by 11 bps, and 10Y softer by 7 bps, reflecting improved liquidity and short-end demand. At the same time, spreads widened—1Y–5Y nearly doubled, 5Y–10Y firmed, and 1Y–10Y jumped—signalling a steepening bias as investors stayed cautious on duration despite the overall bullish yield shift.





While on a monthly basis G-SEC yields eased close to 4bps, Higher than expected borrowing numbers for the next fiscal (₹17.2 trillion) coupled with no major announcement of any liquidity measures in the RBI policy kept yields biased on the higher end however expectations of lower share of ultra-long end bonds in the next fiscal year coupled with adequate surplus liquidity provided support.





Sources: Reserve Bank of India, Reuters.