

Exploring Behavioural Biases through a Qualitative Inquiry Into Indian G-Sec Dealer Biases – New Avenues with research agenda

B. Sharathbabu

Research Scholar

Sri Chandrasekharendra Saraswathi Viswa Mahavidyalaya

Kancheepuram

sharathinfin@gmail.com

Dr. M. S. Ramaratnam

Professor, DOMS (Research Guide)

ramanratnam@kanchiuniv.ac.in

Abstract:

This study investigates the behavioural and psychological factors influencing government securities (G-Sec) dealers in India, with a focus on the reasons behind these market movements, by examining the behavioural factors influencing sovereign debt trading. Existing literature on the Indian G-Sec market has mainly used quantitative market-efficiency models, and qualitative, dealer-level accounts of behavioural decision-making remain scarce. To examine this issue, 16 semi-structured, recorded voice interviews were conducted with G-Sec dealers from public sector banks, private sector banks, and Primary Dealers, and analysed using Braun and Clarke's (2006) manual thematic analysis framework. The interviews revealed thirteen recurring themes, including herding, overconfidence, anchoring, and the Ostrich Effect, as well as a new, regulation-driven Structural Bias linked to RBI communication and regulatory ambiguity. These factors appear to influence sovereign yield-curve dynamics, particularly its level, slope, and curvature. The findings were compared with five independent secondary sources: foreign-investor flow data on the Fully Accessible Route published by the Clearing Corporation of India, the Reserve Bank of India's own Annual Report and Financial Stability Report, the Economic Survey 2025-26, and independent practitioner commentary, which together support the importance of regulatory and structural factors in shaping G-Sec market behaviour. The study also extends behavioural finance taxonomies, largely developed in equity and developed-market contexts, to the Indian sovereign bond market, and proposes Structural Bias as a separate construct operating alongside classical cognitive and emotional biases. The findings may help institutional treasury departments and policymakers, including the Reserve Bank of India and the Government of India, anticipate market volatility and improve debt-management decisions during fiscal consolidation. Future research can test the proposed Structural Bias construct quantitatively.

Keywords : *Structural Shifts, Behavioral Finance, Government Securities (G-Sec), Yield Curve, Primary Dealers, Structural Bias, Ostrich Effect, Heuristics & Behavioural Biases*

Introduction and theoretical foundation

Behavioural finance is an emerging field drawing on finance, economics, and psychology to explain the psychological factors affecting investors' decisions, alongside theories such as prospect theory, mental accounting, and other heuristics. It traces its roots to 1759, when Adam Smith, in *The Theory of Moral Sentiments*, wrote: "How selfish soever may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others... this sentiment, like all the original passions of

human nature, is by no means confined to the virtuous and humane, though they perhaps may feel it with the most exquisite sensibility, which may be called as herding now.” This foreshadows the herding behaviour recognised in modern finance. The field was later formalised in 1944 by Von Neumann and Morgenstern through the theory of expected utility under uncertainty.

More recently, Ahmed Abubakar Zik-Rullahi (2023) states that finance examines how scarce resources are allocated and managed over time. Traditional finance rests on four fundamentals: Markowitz’s Portfolio Theory, Miller’s Arbitrage Theory, the CAPM (Sharpe), and Option Pricing Theory (Black-Scholes). However, it addresses only the “what” of markets, leaving the “why” unanswered – why markets sometimes appear irrational, or why deviations occur during black-swan events or geopolitical tension.

Behavioural finance provides the best explanation for understanding investors’ decision-making based on their beliefs and preferences. Over the last few decades, traditional theories have failed to fully capture actual behaviour, and the assumption of rational behaviour has been contested by notable researchers such as Kahneman and Tversky (1979), Richard Thaler (1985), Shefrin and Statman (1985), and Shiller (2003). As one perspective puts it: “Quantitative studies will often include what happened in the macros and market, often ignores the intuition and gut feelings/other social causes faced by the dealers.”

Howard Marks, in *The Most Important Thing* (2011), argues that no single rule always works in markets, and that psychology plays a major role, since humans are driven by greed, fear, envy, and other emotions rather than pure rational computation. In *Boom/Bust/Market Cycle* (2025), Maneesh Dangi describes investor personality through four “chromosomes” – Bull, Bear, Investor, and Trader – reflecting a form of bounded rationality. In *Animal Spirits*, Akerlof and Shiller (2010) similarly identify five traits – Confidence, Fairness, Corruption/bad faith, Money illusion, and Narratives/stories – arguing that traditional models miss the real drivers of booms, busts, and crises by ignoring these human elements.

As noted earlier, the Indian ten-year benchmark yield serves as the reference rate for all cost-of-capital calculations, and the Indian government bond market is shaped not only by rational calculation but also by greed, fear, money illusion, mental accounting, and information-processing errors. Applying the five traits from *Animal Spirits* (2010), narratives such as rumours of an RBI hike causing unnecessary volatility, or winner’s-curse situations such as accepting low nominal yields during high inflation, further underline the importance of studying behavioural finance in this market.

The importance of studying these behavioural dynamics is underscored by India’s elevated cost of capital, which a Business Standard report (29 January 2026) put at around 7.6%, citing the Economic Survey.

The Economic Survey has flagged the high cost of capital as a persistent structural challenge, calling for policies that raise India’s domestic savings and make manufacturing more competitive. It argues that these are critical to lowering the country’s cost of capital and reducing overreliance on foreign sources of funding.

The Survey says that India’s relatively high cost of capital is widely recognised as a constraint on private investment and long-term growth. It states that between 1995 and 2025, India’s weighted average long-term interest rate averaged 7.6%, far above advanced economies such as Canada (3.1%) and Switzerland (1%), though more favourable than emerging peers such as Indonesia (14.1%) and South Africa (9.08%).

“The strategic implication is that reducing India’s cost of capital requires attention not only to financial intermediation but also to the drivers of production, exports, and surplus generation,” the Survey noted. India’s dependence on foreign savings to finance its current account deficit necessitates a ‘risk

premium', which keeps domestic borrowing costs elevated. It notes that the cost of capital hinges on productivity and exports, and not on financial deepening alone.

A panel study of 15 economies between 1995 and 2025 reinforces this point: a one percentage point or 100 basis point improvement in the current account balance reduces long-term interest rates by 2.8 basis points—almost twice the impact of financial deepening.

The Survey also notes that mid-sized firms are more vulnerable to global uncertainty shocks than large firms, often scaling back fixed-asset creation during volatile periods. It further highlights that capital costs fall meaningfully only after productivity-led manufacturing expansion, sustained export growth, and stable external surpluses take hold, at which point inflation pressures ease and the embedded risk premium declines – a process financial deepening can accelerate but not substitute for.

Ashima Goyal (2019) – a former RBI Monetary Policy Committee member – notes that OMOs affect the interest-rate spread and monetary transmission, not merely serve as a liquidity tool; this supports studying the Indian government bond market through a behavioural lens.

Beyond these macro-level cost-of-capital pressures, several recent market narratives further illustrate this potential for structural bias:

There was a strong possibility of the emergence of a new form of Bias termed as “Structural Bias” or “BLISS (Big Lasting State Support) Trade,” coined by Gita Gopinath, Harvard University and former IMF Deputy Managing Director, in an article published in the Financial Times – “Markets are banking on BLISS Trade” (Gopinath, 2026).

Other recent instances reinforce this narrative of structural bias: South Korea roiled markets by floating a citizen dividend funded through an AI tax (The Japan Times, 2026a); the US Federal Reserve conducted a rate check in late January 2026 to prevent a JPY free-fall (The Japan Times, 2026b); and the RBI lifted the bond trading target for Primary Dealers by 48% (NDTV Profit, 2026). Full details of each instance are provided in the References section.

Further, as stated by Ashima Goyal (2019), the Reserve Bank of India conducted OMOs amounting to Rs. 6,39,203 crore between April 2025 and February 2026 – around 47% of the total government borrowing of Rs. 13,65,000 crore for the corresponding period. This has caused the bond market to swing like a pendulum, other things being equal.

Institutional Context and Market Anomalies

RBI investments improved from around Rs. 13.20 lakh crore to Rs. 20.65 lakh crore during that period, which may create some structural bias among dealers, as reflected in the benchmark yield movement between two near-identical papers: 06.48 GS 2035 (the latest liquid benchmark paper) and the earlier benchmark, 06.33 GS 2035. Normally, in a yield curve, the ten-year benchmark yield sits at the bottom due to its liquidity and on-the-run status, trading at a discount relative to other semi-liquid and illiquid papers. Occasionally, however, a “Reverse Benchmark Effect” occurs for a period of time, where semi-liquid and illiquid papers trade at a discount to the benchmark papers for some reason – an “anomaly” (a narrowing spread between on-the-run and off-the-run papers) that creates a case for studying the Indian government bond market through the lens of behavioural finance.

Further evidence of regulation-driven structural change comes from the foreign-investment side of the Indian G-Sec market. Ghose and Bhowmik (2026), in a study published by the Clearing Corporation of India (CCIL), trace the evolution of the Fully Accessible Route (FAR) – the RBI’s mechanism for unrestricted non-resident investment in specified G-Secs – and find that short-term changes in foreign portfolio investors’ FAR holdings were more closely associated with regulatory changes and the phased inclusion of FAR-eligible bonds in global bond indices than with movements in the India-US yield spread or the USD/INR exchange rate. This finding, derived independently from foreign-investor flow

data rather than dealer interviews, lends external support to the present study's central argument: that regulatory and structural factors, rather than classical fundamentals alone, are an increasingly important driver of Indian G-Sec market dynamics.

The Reserve Bank's own Annual Report for 2025-26 supports this pattern of regulation-linked yield curve movement at the aggregate level. The Report documents that the G-Sec yield curve steepened during Q1:2025-26, alongside OMO purchases of Rs. 2.39 lakh crore, before yields showed two-way movement in Q3:2025-26 (Rs. 1.81 lakh crore in OMOs) and a hardening bias in Q4:2025-26 (Rs. 4.57 lakh crore in OMOs), during which the ten-year G-Sec yield crossed 7% for the first time since July 2024. Across the full year, the Report notes that the G-Sec yield curve steepened overall, with the ten-year yield hardening by 49 basis points (Reserve Bank of India, 2026a). This official, quarter-by-quarter account of yield curve level, slope, and hardening dynamics, unfolding alongside the Reserve Bank's own liquidity operations, supports the present study's central premise: that G-Sec yield curve dynamics are shaped as much by regulatory and structural actions as by classical fundamentals.

The Reserve Bank's Financial Stability Report (March 2026) attributes this yield curve steepening to a mix of exogenous shocks – notably the West Asia conflict – and structural supply-side pressure from rising state government security (SGS) issuances. Even RBI's own risk assessment, then, does not treat G-Sec yields as driven by fundamentals alone, but as jointly shaped by exogenous and structural factors – consistent with this study's broader argument (Reserve Bank of India, 2026b).

The Economic Survey 2025-26, published before the conflict began, offers an earlier, complementary explanation: reduced demand from domestic institutional investors amid portfolio rebalancing was already pushing long-end yields up – suggesting the behavioural shift preceded, rather than resulted from, the geopolitical shock (Government of India, 2026).

A former SEBI whole-time member offers independent, practitioner-level support for this structural view, from a different angle: RBI's large-scale G-Sec purchases – absorbing around 40% of India's incremental government debt in FY26 – were aimed at preventing domestic financial conditions from tightening as fiscal borrowing rose, holding the India-US 10-year yield spread at a multi-year low of 235 basis points rather than letting it reflect market fundamentals (Narayan, 2026). Because Primary Dealers are statutorily obliged to underwrite these auctions regardless of their own market view, RBI's intervention to keep conditions accommodative directly shapes the risk environment in which dealers must fulfil that mandate.

Benchmark yield movement with previous benchmark:

[Table 1 (Yield Discrepancy and Reverse Benchmark Anomalies) and Table 2 (Reverse Benchmark Effect) relocated to **Annexure – Exhibit 1 and Exhibit 2**; see end of paper.] (see Annexure)

Reverse Benchmark Effect

In a typical market, the ten-year benchmark trades at low yields due to its liquidity and on-the-run status, while semi-liquid and illiquid papers carry a yield premium. Exhibit 2 (Annexure), covering 10.06.2025 to 27.04.2026, shows the premium between the new benchmark (6.48 2035) and the earlier one (6.33 2035) moving from negative to zero to positive from January onward – the present benchmark now trades at a premium to the previous one, likely because RBI cannot conduct OMO operations on the present benchmark paper, introducing a structural bias among participants. The supporting exhibit also shows the investment position for 2025 and 2026 rising alongside OMO activity.[Supporting investment-position exhibit relocated to **Annexure – Exhibit 2**; see end of paper.] (see Annexure)

Given the importance market participants place on this regulatory move, intraday news platforms such as Cogencis and Bloomberg provide a running “gist” of buying and selling activity and RBI intervention. These contrarian signals could support an argument that the Indian government bond market remains

“efficient” under the traditional EMH, or equally support studying dealers’ behavioural biases alongside this structural bias (bounded rationality), which appears to exhibit temporary, inherent anomalies, as shown below:

[Table 3 (Trading Screen Signals of Behavioural Shifts) relocated to **Annexure – Exhibit 3**; see end of paper.] ^(see Annexure)

Investor's Decision-Making Behaviour

It is important to understand investors’ decision-making behaviour based on their beliefs, preferences, and past experience. With this in view, the objective of this study is to explore the various behavioural factors and biases that influence dealers in the Indian G-Sec market.

Sathish Kumar and Nisha Goyal (2019) note that, according to Crabtree and Miller (1992), a qualitative approach is well suited to capturing expressive information such as beliefs, values, and feelings that shape different behaviours. For this reason, an exploratory, in-depth interview method was used, as it provides more exhaustive information and a relaxed atmosphere in which people feel more comfortable sharing information (Boyce and Neale, 2006). While that earlier study was conducted exclusively in the stock market, the present study extends this approach to explore the bond market dealer’s perspective.

The remainder of this paper is structured as follows: Review of Literature, Research Method, Data Analysis, and Suggestions/Conclusion and Implications.

Literature Review:

Early studies on the Indian bond market, such as Shankar and Bose (2008), analysed auction efficiencies and found that bidding behaviour generally followed rational pricing strategies aimed at minimising the “winner’s curse.”

Independent institutional evidence supports these findings on dealer bidding behaviour. The Reserve Bank’s Annual Report for 2025-26 records zero devolvement on Primary Dealers during the year, against two the year before, but also two episodes in which all bids for a notified auction amount of Rs. 16,000 crore were rejected in full – underlining the sensitivity of dealer bidding outcomes to prevailing market conditions. Commission paid to Primary Dealers for underwriting rose sharply, from Rs. 15.8 crore to Rs. 86.3 crore, over the same period (Reserve Bank of India, 2026a). Read alongside Narayan’s (2026) account of RBI absorbing a large share of incremental issuance to prevent tightening, this pattern makes sense: with RBI’s own purchases providing a backstop, PDs’ statutory obligation to underwrite was less likely to end in devolvement, even as sharply higher commissions suggest dealers still priced meaningful uncertainty into a mandate they could not decline.

Babu (2017) tested for random-walk behaviour in the Indian bond market and found that abnormal returns through speculation by traders exist to a considerable extent. Golaka C. Nath (2013) identifies liquidity as one of the most important factors, after credit risk, affecting bond yields in the Indian sovereign bond market. At the individual bidding level, Goldreich (2004) shows that dealers rely on a yield-space bidding heuristic manifesting as three biases: submitting dominated bids, bidding in a manner that disregards the unevenly spaced price grid, and rounding bids in yield space.

Bathia, Chavan, Ghorpade, Dmello, Rose, and D’lima (2025) show that behavioural finance explores the intersection of psychology and economics, and that in the Indian context, cultural and socio-economic factors further shape investors’ decision-making. Sathish Kumar and Nisha Goyal (2019) similarly find that psychological factors influence individual investors’ decisions, categorised into cognitive errors, emotional biases, and social interactions.

At the monetary-policy level, Breman and Lagerwall (2024) argue that psychological factors help explain macroeconomic relationships and monetary policy decisions. Bouscasse et al. (2023) find

central bank communication tone matters for asset prices, consistent with uncovered interest parity. The FRBSF Economic Letter (2026) notes that nonmarket-based inflation measures introduce uncertainty (Miran, 2025). Reddy (2002) reflects on the RBI's own debt-market approach, balancing international experience with its own course.

On the liquidity side, Ashima Goyal (2019) reiterates that the composition of liquidity and the sources of reserve money both matter, and that OMOs should not be viewed merely as a residual liquidity-management tool but as instruments affecting the interest-rate spread and the transmission of monetary policy (see Section 1.1 above for a fuller discussion).

The efficient market hypothesis (EMH) is the cornerstone of modern finance (Samuelson, 1965; Fama, 1970). Lo (2004, 2005) reconciles it with behavioural finance via the Adaptive Markets Hypothesis (AMH), treating efficiency as evolutionary rather than all-or-none. Charfeddine (2018) finds the AMH better describes bond returns than the EMH, with wide empirical support (Ito and Sugiyama, 2009; Urquhart and Hudson, 2013; Khediri and Charfeddine, 2015), though bond-market evidence remains more limited than for equities (Lim and Brooks, 2011; Downing et al., 2009).

Table 4: Conceptual Mapping of Stock market biases to G-Sec Desks

Behavioral Bias	Theme Code	Literature Source(s)	Key Research Finding	Impact on G-Sec Dealers
Herding	Themes 5, 7, 8	Banerjee (1992); Bikhchandani and Sharma (2001)	Dealers mimic the actions of the "market leaders" to mitigate career risk.	Causes sharp, non-fundamental yield spikes during RBI policy pivots.
Overconfidence	Themes 3, 4, 12	Barber & Odean (2000); Pompian (2006)	Dealers overestimate their ability to predict interest rate movements.	Leads to excessive trading volume and poor risk-adjusted returns.
Anchoring	Theme 9	Tversky & Kahneman (1974)	Relying on the first piece of info (e.g., previous repo rate) as a mental benchmark.	Slow price discovery when macro data (Inflation/USD) changes rapidly.
Loss Aversion	Themes 1, 12	Kahneman & Tversky (1979); Shefrin (2002)	The pain of a loss is twice as strong as the joy of a gain.	Dealers hold "losing" bond positions too long, freezing desk liquidity.
Ostrich Effect	Theme 13	Galai & Sade (2006); Karlsson et al. (2009)	Deliberately avoiding negative financial information (checking MTM screens).	Delays adaptive responses during "hawkish" market shifts.
Confirmation Bias	Theme 7	Nickerson (1998)	Seeking out information that supports a pre-	Ignoring "warning signs" of inflation while looking for "dovish" signals.

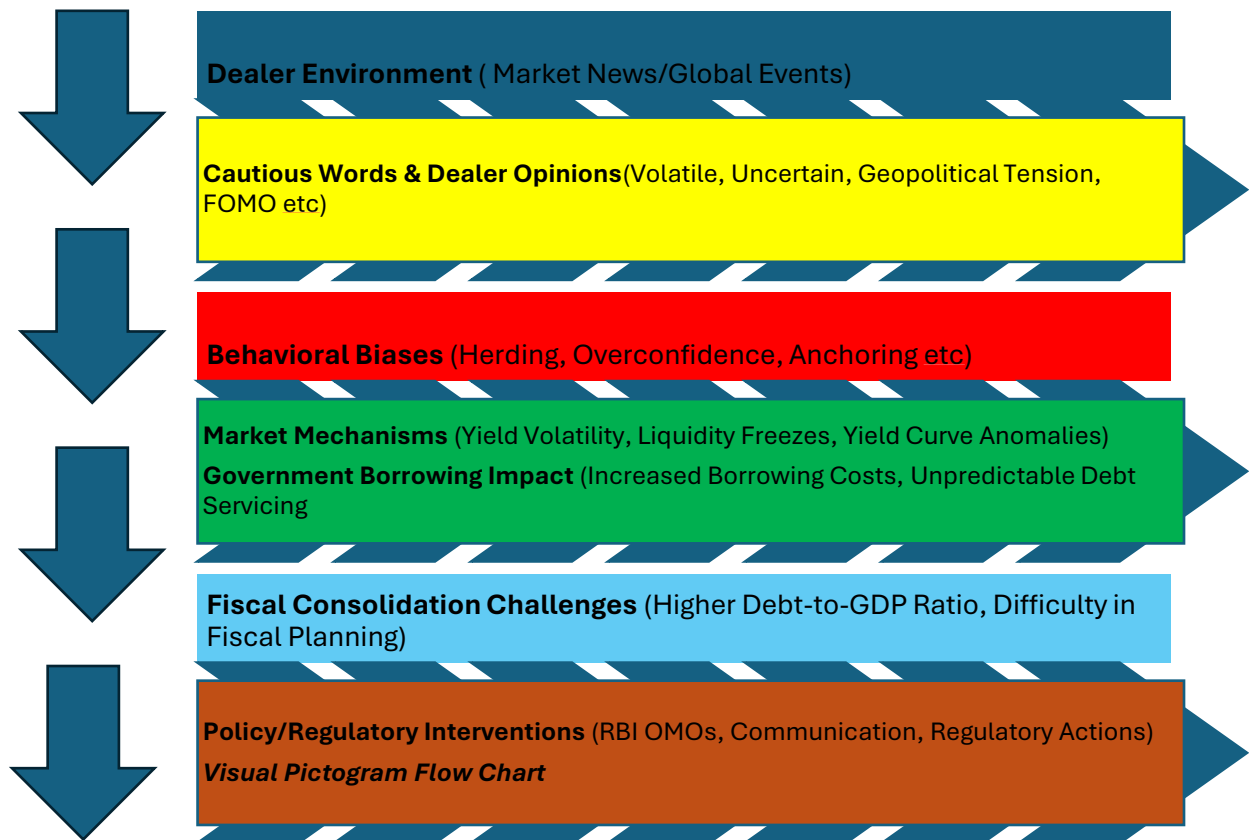
			existing market view.	
Disposition Effect	Theme 2	Weber & Camerer (1998)	Tendency to sell "winners" too early and hold "losers" too long.	Artificially caps yield rallies and deepens market sell-offs.
Structural Bias/Ostrich Effect	Theme 6	Proposed	Dealer bias arising from ambiguous or shifting regulatory communication.	Creates unnecessary narrative-driven volatility.
Mental Accounting	Theme 11	Thaler (1985)	Money is treated differently depending on its mental category, rather than as fungible.	Trading and banking book positions face different risk rules for the same exposure.

Source: The Author.

3.1 Earlier Behavioural Themes explored in stock market (Broad Based):

(Proposed to study in Dealers Perspective)

1. **Cognitive biases based on heuristic theory** (Overconfidence, Representativeness, Anchoring, Confirmation bias, Availability bias)
2. **Emotional biases based on utility theory** (Mental accounting, Loss Aversion, Framing)
Proposed to Test:
3. Regulatory-based, drawing on Narrative/Story Theory (Structural Bias/Ostrich Effect), with reference to the "BLISS Trade" (Big Lasting State Support Trade), a term coined by Gita Gopinath, Harvard University.



Research Methodology and Sample Size:

The main aim of this research is to identify established behavioural biases in sovereign bond dealers' decision-making through qualitative research. Sathish Kumar and Nisha Goyal (2019) note that qualitative research helps identify investors' beliefs, preferences, and values (Mack et al., 2005), relying on textual data rather than the numerical data used in survey research. This study accordingly used an exploratory, in-depth data-collection approach, conducting semi-structured recorded voice interviews to obtain participants' views, since in-depth interviews provide more detailed information than survey methods (Boyce and Neale, 2006).

Sampling and Data Analysis:

Sathish Kumar and Nisha Goyal (2019) used fewer than 20 respondents in their study, noting that qualitative research calls for smaller samples than quantitative work, since researchers must build a close relationship with informants to address the research objective in depth (Crouch and McKenzie, 2006). The number of required subjects typically becomes clear as a study progresses, since additional participants beyond a point add little further insight – data saturation (Glaser and Strauss, 1967; Marshall, 1996), shown to generally occur within 10–18 interviews. Consistent with this, the present study reached saturation at a final sample of 16 dealers from various banks and Primary Dealers, using purposive sampling. Each dealer was asked a set of open-ended questions; responses were recorded and written up as interview notes, with each interview lasting 30 to 75 minutes on average.

All voice data and interview notes were analysed, checked, and confirmed for the use of cautious words by dealers, including: volatile, uncertain, geopolitical tension, FOMO, management pressure, past experience, herd mentality, RBI direction, panic, contrarian, reference point, conviction, liquidity status, comfort zone, ostrich effect, overtrading, stop loss, and greed and fear, among others. Together, these terms provide a way to study the nature, importance, and implications of behavioural bias from the G-Sec dealers' perspective, as explored further below and illustrated in Table 6.

Thematic analysis followed Braun and Clarke's (2006) six-phase framework: familiarisation, initial coding, searching for candidate themes, reviewing themes against coded extracts, defining and naming themes, and producing the final thematic structure. Coding was conducted manually rather than using qualitative data analysis software: each transcript was read and re-read to identify recurring words and patterns, with a second reading checking consistency of theme allocation before the 13 themes in Section 5.1 were finalised.

Table 5 summarises this triangulation across six independent sources – the present study's dealer interviews, CCIL's foreign-investor analysis, the Reserve Bank's Annual Report and Financial Stability Report, the Economic Survey 2025-26, and independent practitioner commentary – each converging on the same conclusion.

Table 5: Triangulation of Evidence for Regulatory/Structural Bias in the Indian G-Sec Market

Source	Type of Evidence	Key Finding	Relevance to Structural Bias Thesis
Present study (dealer interviews, 2026)	Qualitative – 16 semi-structured, recorded voice interviews with G-Sec dealers	Dealers report a Structural Bias/Ostrich Effect linked to RBI communication and regulatory ambiguity (Theme 6)	Primary evidence: dealers' own accounts identify regulatory signals as a distinct behavioural driver, separate from classical cognitive/emotional biases
Ghose & Bhowmik (2026), CCIL	Quantitative – foreign portfolio investor (FPI) flow data under the Fully Accessible Route (FAR)	Short-term changes in FAR holdings are more closely associated with regulatory changes and index inclusion than with the India-US yield spread or the USD/INR exchange rate	External corroboration: foreign investor flows also respond more to regulatory action than to classical fundamentals
Reserve Bank of India (2026a), Annual Report	Official market and administrative data – yield curve statistics and Primary Dealer auction outcomes	Yield curve steepened/hardened in step with OMO operations; Primary Dealer underwriting commission rose over five-fold with zero devolvement, suggesting priced-in caution	Institutional corroboration: both yield curve movement and dealer/PD behaviour track the Reserve Bank's own regulatory and liquidity actions
Reserve Bank of India (2026b), Financial Stability Report	Official risk assessment – attribution of G-Sec yield curve movements	Yield curve steepening attributed to exogenous shocks (West Asia conflict) and SGS supply-side crowding	Even RBI's own risk assessment treats G-Sec yields as jointly shaped by exogenous and structural factors, not fundamentals alone
Government of India (2026), Economic Survey 2025-26	Official pre-shock assessment –	Rising long-end yields linked to institutional	Behavioural demand shift was already

	institutional demand behaviour	portfolio rebalancing, predating the conflict	underway before the geopolitical shock
Narayan (2026), Business Standard	Practitioner commentary – former SEBI whole-time member	RBI G-Sec purchases absorbed ~40% of incremental FY26 government debt, compressing the India-US yield spread to a multi-year low	Independent practitioner corroboration: sustained RBI intervention, not fundamentals, explains yield-spread compression

Source: The Author, compiled from the present study's dealer interviews, Ghose and Bhowmik (2026), Reserve Bank of India (2026a, 2026b), Government of India (2026), and Narayan (2026).

The coding process underlying this classification, from raw dealer response to final bias assignment, is illustrated in Table 6 below.

Table 6: Coding Audit Trail – From Dealer Response to Classified Bias

Theme	Topic Probed	Representative Dealer Response	Initial Code	Classified Bias
Theme 1	Reaction to volatility and geopolitical risk	"Volatility is market's friend, if too much—be cautious."	Cautious risk avoidance	Loss Aversion
Theme 2	Managing attachment to positions	"Don't get emotionally attached with any position."	Position detachment rule	Disposition Effect
Theme 3	Influence of management expectations	"Our decisions will be affected due to performance or management expectations."	Performance-driven risk-taking	Overconfidence
Theme 4	Role of experience and conviction	"Conviction gives confidence as well as overconfidence."	Self-assessed skill	Overconfidence
Theme 5	Influence of institutional participants	"Large institutions side is very important; it gives the trend."	Institutional following	Herding
Theme 6	Effect of regulatory signals	"RBI buying will change the market direction."	Regulatory-driven caution	Structural Bias
Theme 7	Sources of market information	"Bond market is not processing information like the equity market."	Selective information flow	Confirmation Bias

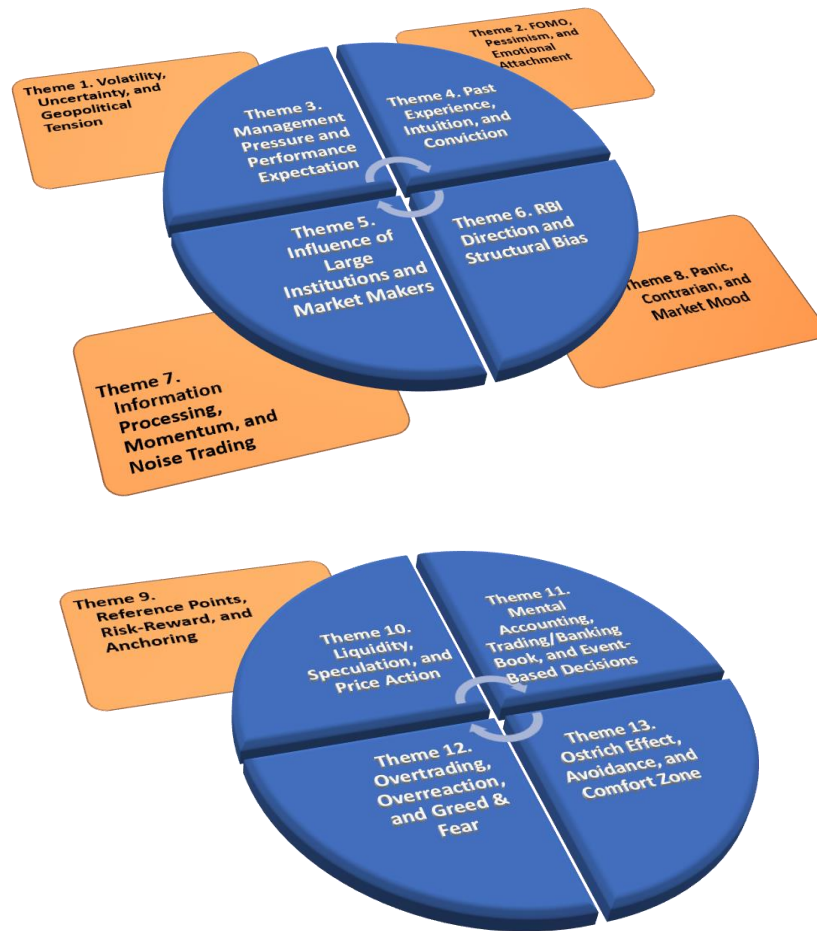
Theme 8	Response to market sentiment shifts	"If it is panic I will take contrarian view; if normal, I align with the market."	Sentiment-based positioning	Herding
Theme 9	Basis for buying decisions	"Buying decisions are based on cost of funds and relative value; stop loss closes the position."	Reference-point pricing	Anchoring
Theme 10	Role of liquidity in decisions	"Liquidity plays a major role, as seen during the recent RBI FX and Rupee movement."	Liquidity-driven speculation	No direct classical equivalent
Theme 11	Segmenting trading vs. banking book decisions	"For a 10-bps move, I consider the banking book; for trading book I act immediately on technicals."	Book-specific decision rules	Mental Accounting
Theme 12	Response to losing positions	"It is human nature to avoid booking loss."	Loss avoidance	Loss Aversion
Theme 13	Behaviour during volatile periods	"During volatility we will avoid the trade."	Avoidance	Ostrich Effect

Note: "Topic Probed" reflects the open-ended subject area addressed, consistent with the study's semi-structured design; it is not a verbatim interview script. Source: The Author, compiled from the present study's coded interview data.

5.0 Results, Findings and Discussion:

The qualitative findings obtained through in-depth interviews with market participants revealed the presence of multiple behavioural dimensions influencing financial decision-making. Respondents' narratives indicated that investment and trading decisions are not driven solely by rational analysis, but are also shaped by emotional reactions, cognitive limitations, market sentiment, institutional expectations, and experience-based judgement. These observations enabled the identification of several behavioural finance variables and associated biases operating within treasury and trading environments. In addition to the behavioural biases already discussed above, the interview analysis also highlighted a further theme, in which dealers' reactions and investment decisions are shaped by their stated opinions. These are presented as themes below:

5.1 Analysis of Primary Empirical Themes:



Theme 1. Volatility, Uncertainty, and Geopolitical Tension

Dealers frequently cited the impact of market volatility and uncertainty, especially during geopolitical events:

“Volatility is market’s friend, if it is too much—be cautious.”

“Uncertainty is good for money, avoid trade else money will be lost.”

“Market sometimes will be overreactive during geopolitical tensions because of initial panic and it will be settled down in some time.”

These perspectives reflect risk aversion, overreaction, panic selling, and a tendency to become habituated to volatility, with some dealers avoiding trades during uncertain periods.

Theme 2. FOMO, Pessimism, and Emotional Attachment

Emotional drivers such as fear of missing out (FOMO), pessimism, and emotional attachment to positions are evident:

“Intraday trading can be construed as a FOMO; everyone does like that.”

“Pessimism will always give you more money (panic selling).”

“Don’t get emotionally attached with any position, position should be of data- 80%, Intuition-20%.”

These illustrate FOMO, the disposition effect, and the influence of regret and greed on trading behavior.

Theme 3. Management Pressure and Performance Expectation

Institutional expectations and management directives shape risk appetite and trading frequency:

“Our decisions will be affected due to performance or management expectations.”

“During certain times management expectations plays a role.”

This pressure can result in overtrading, excessive risk-taking, and objective-based decision-making.

Theme 4. Past Experience, Intuition, and Conviction

Dealers rely on experience, intuition, and conviction:

“Experience plays a major role, instinct work.”

“Conviction gives confidence as well as overconfidence.”

These factors can lead to prudent or risky behaviors, with overconfidence sometimes resulting in excessive trading.

Theme 5. Influence of Large Institutions and Market Makers

The actions of large institutions and market makers are pivotal:

“Large institutions side is very important; it gives the trend.”

“Primary Dealers feedback will be influencing the decision.”

This demonstrates herd mentality, market consensus, and the impact of institutional limits on market direction.

Theme 6. RBI Direction and Structural Bias

Regulatory actions and RBI communication are central to market dynamics:

“RBI buying will change the market direction.”

“Markets will become panic when regulator turned aggressive.”

Dealers exhibit structural bias and the ostrich effect, sometimes avoiding action or information when regulatory signals are unclear or overwhelming.

Theme 7. Information Processing, Momentum, and Noise Trading

Dealers highlight challenges in information flow and the role of momentum:

“Bond market is not processing the information like equity market. Information is lacking in the bond market.”

“Market will have the momentum based on the herd mentality from the market participants.”

“Now days after Trump’s presidency, even Twitter and tweet handles move the market now.”

This points to information processing errors, momentum trading, and noise trading driven by rumors and incomplete data.

Theme 8. Panic, Contrarian, and Market Mood

Market mood swings between panic and contrarian opportunities:

“If it is panic I will take contrarian view and if it is normal—I will align with the market.”

“Market sentiment and mood is short term and I will average the position if the trend is same, if it is against, I will act based on the stop loss situation.”

Dealers oscillate between contrarian and herding strategies, influenced by market mood, sentiment, and stop loss triggers.

Theme 9. Reference Points, Risk-Reward, and Anchoring

Anchoring to reference points and risk-reward analysis shapes trades:

“Buying decisions will be based on the cost of funds and the relative value basis. Stop loss will be the reason to close the position.”

“Short term view and long-term view is different—For trading Risk/reward is important.”

This reflects anchoring bias and the importance of reference points in decision-making.

Theme 10. Liquidity, Speculation, and Price Action

Dealers weigh liquidity, speculation, and price action:

“Liquidity plays a major role as we can come to know during the recent RBI’s FX and Rupee movement.”

“Markets are irrational because of speculation and panic selling.”

Risk reduction, speculation, and liquidity status are central to both trading and investment decisions.

Theme 11. Mental Accounting, Trading/Banking Book, and Event-Based Decisions

Dealers segment decisions by account and event:

“When there is a 10-bps movement is there, I will consider the decision for banking book, for trading book I will act immediately based on the technicals.”

“For short term we will go only with events based.”

This is mental accounting, where trading and banking books are managed with different risk appetites and strategies.

Theme 12. Overtrading, Overreaction, and Greed & Fear

Behavioral extremes are common:

“Volatility makes you to over trade.”

“Market sentiment is very important, when people are acting in a panic movement, don’t be overreactive.”

“It is human nature to avoid booking loss, human nature to have greed and fear.”

Overtrading, overreaction, greed, and fear are recurring themes, often leading to irrational outcomes.

Theme 13. Ostrich Effect, Avoidance, and Comfort Zone

Dealers sometimes avoid negative information or uncomfortable trades:

“During volatility we will avoid the trade.”

“When it is short term, be cautious (Ostrich effect).”

“Comfort zone matters along with loss absorbency capacity.”

This is the ostrich effect and avoidance, where dealers prefer to stay within their comfort zones and delay difficult decisions.

The findings challenge the assumption of full market efficiency in the Indian G-Sec market, demonstrating that behavioral and structural biases can lead to temporary anomalies, mispricing, and non-fundamental yield movements. Recognizing these biases is critical for policymakers, regulators,

and institutional participants seeking to enhance market stability, improve risk management, and design effective communication strategies.

Conclusion, Policy Implication and Research Agenda:

This study makes two main contributions to the behavioural finance literature. The study extends existing behavioural finance taxonomies – largely developed in equity-market and developed-market contexts – to the Indian sovereign bond market, and proposes Structural Bias as a separate construct: a regulatory- and communication-driven bias that operates alongside, rather than as a subtype of, the classical cognitive and emotional biases catalogued in Table 4. It also offers one of the first qualitative, dealer-level accounts of behavioural decision-making in an emerging sovereign bond market, compared with independent foreign-investor flow data, two official Reserve Bank publications, the Economic Survey, and independent practitioner commentary – as summarised in Table 5.

More broadly, this study points to the value of carefully examining the behavioural biases faced by G-Sec dealers in the government bond market, given that it serves as a critical reference curve for every other market. To this end, recorded voice interviews were conducted with 16 dealers from various banks and Primary Dealers, using purposive sampling. The findings highlight the inherited biases among dealers and underline the need for detailed research into behavioural biases among dealers in the Indian sovereign bond market – an area that, unlike the stock market, has seen little to no dedicated study to date. These patterns are not unique to the Indian G-Sec market, nor are they new: the human tendency to lean on stories and mental shortcuts rather than deliberate analysis, to copy the choices of others out of a fear of missing out, and to overestimate one's own ability to time markets, is well documented across asset classes and generations of investors and practitioners alike. What this study adds is the demonstration that closely related patterns operate among professional G-Sec dealers, as well as a distinct, regulation-driven structural bias not previously catalogued in this market – one ultimately rooted in the same old insight that people form their sense of markets not through direct experience of others' positions, but through imagination and empathy projected onto them, the same imaginative and socially-anchored process that gives rise to herding and narrative-driven decision-making more broadly.

There is a significant need for further research into biases arising from statistical misrepresentation and logical illusions ("cognitive bias"), as well as those arising from intuition, conviction, mood, and emotion ("emotional bias"), and a new "structural bias" (see: BLISS Trade) in the Indian government bond market, which anchors the pricing of other asset classes, including equities. This structural bias may stem from mispricing or misinformation about the regulatory authorities' stance or direction. As the Government of India pursues a debt-to-GDP target of 50% ($\pm 1\%$) by 2031, with fiscal consolidation firmly on the policy agenda, there is a pressing need to study the sovereign bond market through a behavioural lens to help navigate this consolidation successfully.

6.1 Limitations

This study is subject to several limitations. First, the sample of 16 dealers, while consistent with established data-saturation thresholds for qualitative research (Glaser and Strauss, 1967; Marshall, 1996), was drawn purposively rather than randomly, and findings should not be generalised statistically to the full population of Indian G-Sec dealers. Second, the study relies on dealers' self-reported accounts of their own decision-making, which may be subject to recall bias, social desirability bias, or post-hoc rationalisation of trading decisions. Third, the study is confined to a single market (Indian G-Secs) and a single point in time (2026); the behavioural patterns identified, particularly Structural Bias, may evolve as India's regulatory and market-structure reforms continue, and their persistence over time has not been tested. Fourth, the qualitative design does not permit statistical testing of the proposed Structural Bias construct against the classical cognitive and emotional biases catalogued in Table 4; the triangulation offered in Table 5 is corroborative rather than causal, and the

sources compared there are converging real-world and institutional signals – official reports, market data, and practitioner commentary – rather than independent peer-reviewed empirical findings; they should be weighted accordingly. Future research combining this study's qualitative themes with quantitative event-study or survey-based methods would help establish the relative explanatory power of structural bias alongside traditional behavioural finance constructs.

6.2 Policy Implication

As the Government of India actively targets a strict debt-to-GDP ratio of 50% ($\pm 1\%$) by 2031, stabilising the sovereign yield curve is essential for smooth fiscal consolidation.

Central Bank Communications: The RBI must design its market interventions to minimise speculative noise. Dealers linked unclear regulatory signals to Ostrich Effect avoidance (Themes 6 and 13); read together, this suggests that abrupt, unclear changes in policy direction risk causing desk liquidity to dry up exactly when it is needed most.

Institutional Risk Architecture: Treasury departments should redesign internal performance metrics, since pressuring dealers for constant short-term profits directly fuels irrational overtrading and speculative herding.

6.3 Future Research Agenda

Given that this study provides an initial qualitative baseline for an emerging sovereign debt market – a setting where herding is theoretically expected to be stronger than in developed markets, owing to weaker information environments (Bikhchandani and Sharma, 2001) – future researchers should expand along three distinct paths:

- Cognitive Paths: Quantifying how statistical misrepresentations and logical illusions distort primary auction bids.
- Emotional Paths: Tracking real-time desk sentiment and mood swings during macroeconomic data releases (e.g., CPI or GDP updates).
- Structural Paths: Conducting deep empirical investigations into the emerging BLISS (Big Lasting State Support) Trade framework, to determine how regulatory backstops influence the pricing of other interconnected domestic asset classes, including corporate equities and foreign exchange derivatives.
- **Acknowledgement of AI Tool Use**

During the preparation of this manuscript, the author used Claude (Anthropic) as an AI-assisted writing and research support tool. Claude was used to: (i) improve the language, grammar, and sentence structure of the author's original draft; (ii) reorganize the literature review section for clearer thematic flow; (iii) identify, verify through web-based search of primary sources, and format reference citations in accordance with journal style; and (iv) identify and correct inconsistencies between in-text citations and the reference list. All AI-assisted edits and verified references were reviewed and approved by the author, who takes full responsibility for the accuracy, originality, and integrity of the manuscript. Claude was not used to design the study, conduct or transcribe the interviews, or generate the study's findings, analysis, or conclusions, which remain the author's own original work.

References

Akerlof, G. A., & Shiller, R. J. (2010). *Animal spirits: How human psychology drives the economy, and why it matters for global capitalism*. Princeton University Press.

- Babu, A. S. (2017). Testing for random walk behavior in Indian bond market. *Theoretical Economics Letters*, 7, 728–736. <https://doi.org/10.4236/tel.2017.74052>
- Banerjee, A. V. (1992). A simple model of herd behavior. *The Quarterly Journal of Economics*, 107(3), 797–817.
- Barber, B. M., & Odean, T. (2000). Trading is hazardous to your wealth: The common stock investment performance of individual investors. *The Journal of Finance*, 55(2), 773–806. <https://doi.org/10.1111/0022-1082.00226>
- Bathia, A., Chavan, A., Ghorpade, R., Dmello, R., Rose, R., & D’lima, C. (2025). The role of behavioural biases in Indian financial markets: Insights from real-life cases and survey data. *Advances in Consumer Research*, 2(3), 254–267.
- Bikhchandani, S., & Sharma, S. (2001). Herd behavior in financial markets. *IMF Staff Papers*, 47(3), 279–310.
- Bouscasse, J.-F., Kapp, D., Kedan, D., McGregor, T., & Schumacher, J. (2023, August 9). How words guide markets: Measuring monetary policy communication. *The ECB Blog*. European Central Bank.
- Boyce, C., & Neale, P. (2006). *Conducting in-depth interviews: A guide for designing and conducting in-depth interviews for evaluation input (Pathfinder International Tool Series, Monitoring and Evaluation-2)*. Pathfinder International.
- Braun, V., & Clarke, V. (2006). Using thematic analysis in psychology. *Qualitative Research in Psychology*, 3(2), 77–101.
- Breman, A., & Lagerwall, B. (2024, April 10). Monetary policy and behavioural economics (Economic Commentary No. 6). Sveriges Riksbank.
- Charfeddine, L. (2018). Time-varying efficiency of developed and emerging bond markets: Evidence from long-spans of historical data.
- Crabtree, B. F., & Miller, W. L. (1992). *Doing qualitative research (Research methods for primary care)*. Sage Publications.
- Crouch, M., & McKenzie, H. (2006). The logic of small samples in interview-based qualitative research. *Social Science Information*, 45(4), 483–499.
- Downing, C., Underwood, S., & Xing, Y. (2009). The relative informational efficiency of stocks and bonds: An intraday analysis. *Journal of Financial and Quantitative Analysis*, 44(5), 1081–1102.
- Fama, E. F. (1970). Efficient capital markets: A review of theory and empirical work. *The Journal of Finance*, 25(2), 383–417.
- FRBSF Economic Letter. (2026, April). Monetary policy through the lens of market-based inflation. Federal Reserve Bank of San Francisco.
- Galai, D., & Sade, O. (2006). The “ostrich effect” and the relationship between the liquidity and the yields of financial assets. *The Journal of Business*, 79(5), 2741–2759.
- Ghose, P., & Bhowmik, S. (2026). From local to global: Evolution of the fully accessible route. *CCIL Rakshitra*, 8–21. Clearing Corporation of India.
- Glaser, B. G., & Strauss, A. L. (1967). *The discovery of grounded theory: Strategies for qualitative research*. Aldine Publishing.
- Goldreich, D. (2004). Behavioral biases of dealers in U.S. Treasury auctions (Working Paper 2004.143). Fondazione Eni Enrico Mattei.

- Gopinath, G. (2026). Markets are blinking on BLISS trade. Financial Times. <https://www.ft.com/content/60f60089-9486-481c-859c-f29b8ccbbd90>
- Government of India. (2026). Economic survey 2025-26. Ministry of Finance, Department of Economic Affairs.
- Goyal, A. (2019). Price discovery in Indian government securities market, monetary management and government borrowing (IGIDR Working Paper WP-2019-007). Indira Gandhi Institute of Development Research.
- Ito, M., & Sugiyama, S. (2009). Measuring the degree of time varying market inefficiency. *Economics Letters*, 103(2), 62–64.
- Ito, M., Noda, A., & Wada, T. (2014). International stock market efficiency: A non-Bayesian time-varying model approach. *Applied Economics*, 46(23), 2744–2754.
- Ito, M., Noda, A., & Wada, T. (2016). The evolution of stock market efficiency in the US: A non-Bayesian time-varying model approach. *Applied Economics*, 48(7), 621–635.
- Japan Times. (2026a, May 12). South Korea rolls out citizen dividend funded by AI tax. <https://www.japantimes.co.jp/business/2026/05/12/tech/korea-citizen-dividend-ai-gains/>
- Japan Times. (2026b, May 8). U.S. Treasury makes a rate check to halt yen slide. <https://www.japantimes.co.jp/editorials/2026/05/08/japan-pulls-stops-yen-slide/>
- Kahneman, D., & Tversky, A. (1979). Prospect theory: An analysis of decision under risk. *Econometrica*, 47(2), 263–291. <https://doi.org/10.2307/1914185>
- Karlsson, N., Loewenstein, G., & Seppi, D. (2009). The ostrich effect: Selective attention to information. *Journal of Risk and Uncertainty*, 38(2), 95–115.
- Khediri, K. B., & Charfeddine, L. (2015). Evolving efficiency of spot and futures energy markets: A rolling sample approach. *Journal of Behavioral and Experimental Finance*, 6, 67–79.
- Kumar, S., & Goyal, N. (2019). Exploring behavioural biases among Indian investors: A qualitative inquiry.
- Lim, K.-P., & Brooks, R. (2011). The evolution of stock market efficiency over time: A survey of the empirical literature. *Journal of Economic Surveys*, 25(1), 69–108.
- Lo, A. W. (2004). The adaptive markets hypothesis. *Journal of Portfolio Management*, 30(5), 15–29.
- Lo, A. W. (2005). Reconciling efficient markets with behavioral finance: The adaptive markets hypothesis. *Journal of Investment Consulting*, 7(2), 21–44.
- Mack, N., Woodsong, C., MacQueen, K. M., Guest, G., & Namey, E. (2005). Qualitative research methods: A data collector's field guide. Family Health International.
- Marshall, M. N. (1996). Sampling for qualitative research. *Family Practice*, 13(6), 522–525.
- Miran, S. I. (2025, September 22). Nonmonetary forces and appropriate monetary policy [Speech]. Economic Club of New York. Board of Governors of the Federal Reserve System.
- Narayan, A. (2026, August 18). The impossible trinity, revisited. Business Standard.
- NDTV Profit. (2026). RBI lifts bond trading target for Primary Dealers by 48%. <https://www.ndtvprofit.com/business/indias-rbi-lifts-bond-trading-target-for-primary-dealers-by-48-11498536>
- Nath, G. C. (2013). Liquidity issues in Indian sovereign bond market (MPRA Paper 51633). University Library of Munich.

- Nickerson, R. S. (1998). Confirmation bias: A ubiquitous phenomenon in many guises. *Review of General Psychology*, 2(2), 175–220.
- Pompian, M. M. (2006). *Behavioral finance and wealth management: How to build optimal portfolios that account for investor biases*. John Wiley & Sons.
- Reddy, Y. V. (2002). Issues and challenges in the development of the debt market in India (BIS Papers No. 11, pp. 117–126). Bank for International Settlements.
- Reserve Bank of India. (2026a). Annual report 2025-26. Author.
- Reserve Bank of India. (2026b). Financial stability report, March 2026. Author.
- Samuelson, P. A. (1965). Proof that properly anticipated prices fluctuate randomly. *Industrial Management Review*, 6(2), 41–49.
- Shankar, R., & Bose, S. (2008). Auctions of government securities in India – An analysis. Reserve Bank of India Occasional Papers, 29(3), 23–67.
- Shefrin, H. (2002). *Beyond greed and fear: Understanding behavioral finance and the psychology of investing*. Oxford University Press.
- Shefrin, H., & Statman, M. (1985). The disposition to sell winners too early and ride losers too long: Theory and evidence. *The Journal of Finance*, 40(3), 777–790.
- Shiller, R. J. (2003). From efficient markets theory to behavioral finance. *Journal of Economic Perspectives*, 17(1), 83–104.
- Thaler, R. (1985). Mental accounting and consumer choice. *Marketing Science*, 4(3), 199–214.
- Tversky, A., & Kahneman, D. (1974). Judgment under uncertainty: Heuristics and biases. *Science*, 185(4157), 1124–1131.
- Urquhart, A., & Hudson, R. (2013). Efficient or adaptive markets? Evidence from major stock markets using very long run historic data. *International Review of Financial Analysis*, 28, 130–141.
- Weber, M., & Camerer, C. F. (1998). The disposition effect in securities trading: An experimental analysis. *Journal of Economic Behavior & Organization*, 33(2), 167–184.
- Zik-Rullahi, A. A., Jide, I., & Onuh, E. O. (2023). Behavioural finance: Exploring the psychology and economic aspects of financial decision-making. *European Review in Accounting and Finance*, 7(3), 50–64.

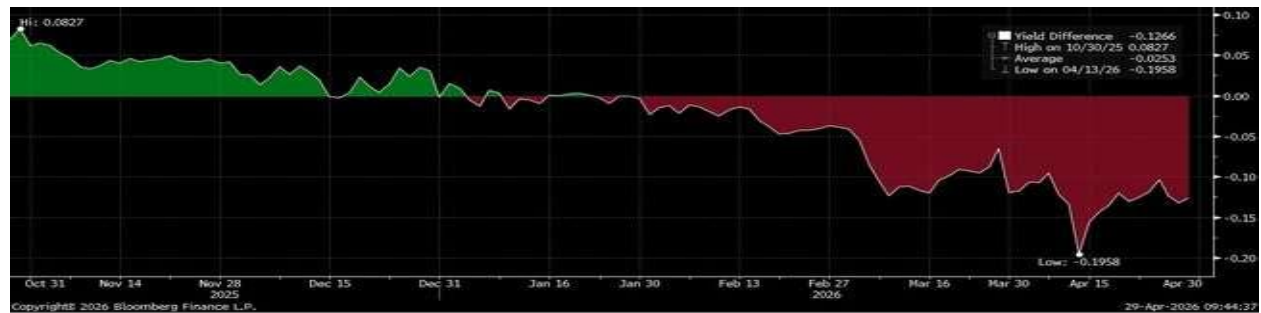
Annexure: Exhibits

Exhibit 1 – Table 1: Yield Discrepancy and Reverse Benchmark Anomalies

6.48 2035						6.33 2035								Spread Difference	
Date	Open	High	Low	Close	Max	Min	Date	Open	High	Low	Close	Max	Min	Bench vs old	
4/27/2026	6.962	6.9359	6.9837	6.9777	7.1422	6.4097	4/27/2026	6.8566	6.8105	6.8566	6.8535	7.0152	6.4552	0.1242	
4/20/2026	6.9094	6.8709	6.9881	6.9362			4/20/2026	6.7835	6.7492	6.8678	6.8317			0.1045	
4/13/2026	6.9656	6.8588	6.979	6.9046			4/13/2026	6.8237	6.6899	6.8241	6.768			0.1366	
4/6/2026	7.1407	6.8954	7.1422	6.9117			4/6/2026	7.0152	6.777	7.0152	6.777			0.1347	
3/30/2026	6.9213	6.905	7.1331	7.132			3/30/2026	6.886	6.8691	7.0139	7.0139			0.1181	
3/23/2026	6.7805	6.7772	6.9516	6.9412			3/23/2026	6.7299	6.6926	6.8866	6.8758			0.0654	
3/16/2026	6.693	6.689	6.7787	6.7365			3/16/2026	6.5866	6.5568	6.6779	6.6453			0.0912	
3/9/2026	6.7301	6.6362	6.7751	6.6794			3/9/2026	6.6234	6.5238	6.6533	6.5623			0.1171	
3/2/2026	6.689	6.6286	6.7266	6.6894			3/2/2026	6.6631	6.5826	6.6826	6.6034			0.086	
2/23/2026	6.7071	6.6539	6.7255	6.6597			2/23/2026	6.6668	6.6169	6.6713	6.6221			0.0376	
2/16/2026	6.6707	6.6456	6.7337	6.7211			2/16/2026	6.6439	6.6067	6.6886	6.6733			0.0478	
2/9/2026	6.7697	6.6388	6.7711	6.6796			2/9/2026	6.7179	6.6478	6.7531	6.6657			0.0139	
2/2/2026	6.7403	6.6303	6.7778	6.736			2/2/2026	6.7606	6.5248	6.7606	6.7244			0.0116	
1/26/2026	6.6453	6.6443	6.7262	6.6961			1/26/2026	6.6736	6.6736	6.7242	6.6922			0.0039	
1/19/2026	6.6822	6.628	6.695	6.6632			1/19/2026	6.6909	6.6276	6.6939	6.6598			0.0034	
1/12/2026	6.6363	6.4964	6.6882	6.6765			1/12/2026	6.6121	6.5753	6.6905	6.6767			-0.0002	
1/5/2026	6.619	6.6077	6.6566	6.6399			1/5/2026	6.6633	6.6	6.6633	6.6231			0.0168	
12/29/2025	6.5666	6.5609	6.6231	6.6061			12/29/2025	6.5967	6.5792	6.6371	6.6151			-0.009	
12/22/2025	6.6045	6.5303	6.6995	6.5637			12/22/2025	6.6405	6.5599	6.7069	6.5873			-0.0236	
12/15/2025	6.5763	6.5608	6.6178	6.6016			12/15/2025	6.5889	6.5597	6.6285	6.6123			-0.0107	
12/8/2025	6.4937	6.4853	6.6293	6.5931			12/8/2025	6.5181	6.5174	6.6648	6.6121			-0.019	
12/1/2025	6.5202	6.4507	6.5384	6.4945			12/1/2025	6.555	6.4552	6.5867	6.5166			-0.0221	
11/24/2025	6.5001	6.4439	6.5154	6.5063			11/24/2025	6.5447	6.484	6.568	6.5462			-0.0399	
11/17/2025	6.487	6.4732	6.5231	6.5172			11/17/2025	6.5331	6.5121	6.5736	6.5664			-0.0492	
11/10/2025	6.4595	6.4443	6.4955	6.4865			11/10/2025	6.5128	6.4754	6.541	6.5265			-0.04	
11/3/2025	6.4694	6.4521	6.4825	6.468			11/3/2025	6.5243	6.4977	6.5554	6.5142			-0.0462	
10/27/2025	6.4647	6.4561	6.5055	6.4709			10/27/2025	6.5339	6.5174	6.596	6.5314			-0.0605	
10/20/2025	6.4491	6.4395	6.4725	6.4629			10/20/2025	6.5104	6.4917	6.556	6.5341			-0.0712	
10/13/2025	6.4467	6.4097	6.4604	6.4467			10/13/2025	6.5242	6.4698	6.5339	6.5127			-0.066	
10/6/2025	6.4388	6.4305	6.4651	6.4627			10/6/2025	6.4937	6.4894	6.5388	6.5366			-0.0739	

Source: Bloomberg Finance L.P.

Exhibit 2 – Table 2: Reverse Benchmark Effect



Source: Bloomberg Finance L.P.

Supporting Exhibit – Investment Position (2025–2026)

2025/25	2026/26	2027/27	2028/28	2029/29	2030/30	2031/31
2.2 Assets						
2.2.1 Notes and Coins	11	12	13	11	17	15
2.2.2 Balances Held Abroad	1413991	1344426	1473104	1428062	1558765	1646721
2.2.3 Loans and Advances						
2.2.3.1 Central Government	-	-	-	-	-	-
2.2.3.2 State Governments	26284	19332	35042	13012	20162	16817
2.2.3.3 Scheduled Commercial Banks	251984	256989	20841	121580	885	76369
2.2.3.4 Scheduled State Co-op.Banks	-	-	-	-	-	-
2.2.3.5 Industrial Dev. Bank of India	-	-	-	-	-	-
2.2.3.6 NABARD	-	-	-	-	-	-
2.2.3.7 EXIM Bank	-	-	-	-	-	-
2.2.3.8 Others	36426	20988	17374	19552	13200	14413
2.2.3.9 Financial Institution Outside India	111768	101053	112632	135094	149917	148940
2.2.4 Bills Purchased and Discounted						
2.2.4.1 Internal	-	-	-	-	-	-
2.2.4.2 Government Treasury Bills	-	-	-	-	-	-
2.2.5 Investments	1560630	1319974	1883381	1899355	1945654	2009748
2.2.6 Other Assets	459101	418394	676675	685833	718242	759932
2.2.6.1 Gold	429510	396899	647699	656602	688886	730583

Source: Reserve Bank of India (RBI) published data.

Exhibit 3 – Table 3: Trading Screen Signals of Behavioural Shifts

02 Mar 26 (7) 19:40 [I] India Gilts: 'Others' top net buyers, foreign banks top net sellers Mon 19:33 [I] India Gilts: Review: Down as oil prices rise; state bond cut offs help 19:26 [I] India Gilts: Review: Down as oil prices rise; state bond cut offs help 18:12 [I] India Gilts: Review: Down as oil prices rise; state bond cut offs help 14:08 [I] India Gilts: Remain sharply down on rise in oil prices, auction results eyed 10:25 [I] India Gilts: Down as crude oil prices surge post US, Israel attack on Iran 08:54 [I] India Gilts: Seen sharply down as crude oil jumps after West Asia conflict 27 Feb 26 (8) 21:36 [I] India Gilts: 'Others' top net buyers, foreign banks top net sellers Fri 21:14 [I] India Gilts: Review: Surge on lower-than-view Oct-Dec GDP growth, US yld fall 18:01 [I] India Gilts: Review: Surge on lower-than-view Oct-Dec	26 Feb 26 (7) 20:18 [I] India Gilts: 'Others' top net buyers, foreign banks top net sellers Thu 20:12 [I] India Gilts: Review: Down on short sales before auction, India's GDP data Fri 18:00 [I] India Gilts: Review: Down on short sales before auction, India's GDP data Fri 16:29 [I] India Gilts: Down on short sales before auction, lack of large investor buys 13:18 [I] India Gilts: Mixed; 10-yr benchmark tad down ahead of auction, GDP data Fri 10:45 [I] India Gilts: Up on switch auction notice, bets that RBI bought gilts onscreen 08:51 [I] India Gilts: Seen up on switch notice; some speculate RBI bought gilts Wed 25 Feb 26 (7) 20:58 [I] India Gilts: 'Others' top net buyers, foreign banks top net sellers Wed 20:51 [I] India Gilts: Review: Most up on speculation of RBI on-screen buys
20 Feb 26 (7) 21:04 [I] India Gilts: 'Others' top net buyers, foreign banks top net sellers Fri 20:32 [I] India Gilts: Review: Slump on rising geopolitical tensions, oil price rise 18:44 [I] India Gilts: Review: Slump on rising geopolitical tensions, oil price rise 16:30 [I] India Gilts: Remain down on rise in 5-year OIS, fall in rupee 13:22 [I] India Gilts: Down more on rise in 5-yr OIS; demand for 7.24%, 2055 seen poor 10:42 [I] India Gilts: Sharply down on rise in crude prices, short bets before auction 08:52 [I] India Gilts: Seen tad lower before INR-330-billion fresh supply 18 Feb 26 (7) 19:55 [I] India Gilts: Foreign bks top net buyers, primary dealers top net sellers Wed 19:33 [I] India Gilts: Review: Down on short sales before supply Fri, rise in US yields 17:16 [I] India Gilts: Review: Down on short sales before supply Fri,	12 Feb 26 (8) 21:15 [I] India Gilts: PDs top net buyers, private-sector banks top net sellers Thu 9:07 [I] India Gilts: Review: Sharply up post Jan CPI release; core CPI seen lower 7:40 [I] India Gilts: Review: Sharply up post Jan CPI release; core CPI seen lower 6:49 [I] India Gilts: Sharply up as OIS tumbles; Jan CPI in line with view 5:49 [I] India Gilts: Rise on fall in 5-year OIS, surplus liquidity; CPI data awaited 3:36 [I] India Gilts: Mixed; bonds up to 10 yrs recover losses, long-term bonds rise 09:49 [I] India Gilts: Down on rise in US yields; India CPI data for Jan awaited 08:48 [I] India Gilts: Seen down on overnight rise in US yields after key jobs data 11 Feb 26 (8)
27 Jan 26 (7) 1:19 [I] India Gilts: PSU banks top net buyers, mutual funds top net sellers Tue 0:12 [I] India Gilts: Review: Yld on 10-yr hits new FY26 high on OIS rise, short bets 8:49 [I] India Gilts: Review: 10-yr yield hits new FY26 high on OIS rise, short bets 6:09 [I] India Gilts: Slump; stop-losses triggered as 10-yr benchmark yld tops 6.70% 4:01 [I] India Gilts: Slide ahead of fresh supply, lack of positives before Budget 0:35 [I] India Gilts: Erase gains on profit booking; heavy state bond supply weighs 8:48 [I] India Gilts: Seen up after RBI announces INR 1-tn OMO buys until Feb 12 23 Jan 26 (7) 1:49 [I] India Gilts: PSU banks top net buyers, primary dealers top net sellers Fri 1:38 [I] India Gilts: Review: Down on lack of RBI on-screen buys last wk, rise in OIS 8:55 [I] India Gilts: Review: Down on lack of RBI on-screen buys last wk, rise in OIS	03 Dec 25 (7) 10:58 [I] India Gilts: Foreign banks top net buyers, mutual funds top net sellers Wed 9:16 [I] India Gilts: Review: Down on lack of RBI support, short sales; MPC meet eyed 8:11 [I] India Gilts: Review: Sharply dn on lack of RBI buys, short bets before auction 6:40 [I] India Gilts: Remain down on short sales; buying by PSU bank limit losses 3:30 [I] India Gilts: Remain down on lack of RBI buys, rupee fall; eyes on MPC outcome 0:01 [I] India Gilts: Down after data does not suggest RBI buys Tue; rupee fall weighs 08:53 [I] India Gilts: Seen steady as MPC meet begins, momentum from Tue may sustain 02 Dec 25 (7) 21:06 [I] India Gilts: PSU banks top net buyers, pvt sector banks top net sellers Tue 19:40 [I] India Gilts: Review: Sharply up on speculation of RBI buys before MPC meet 17:39 [I] India Gilts: Review: Sharply up on speculation of RBI buys before MPC meet 16:25 [I] India Gilts: Sharply up on speculation of RBI buying gilts on-screen 13:47 [I] India Gilts: Remain up on likely PSU bks' buys; state bond sale result eyed 11:20 [I] India Gilts: Up on bets of soft MPC outcome; gains tempered on fall in rupee 08:47 [I] India Gilts: Seen tad lower before state bond supply, rise in US ylds to weigh

Source: Bloomberg Finance L.P.

Exhibit 4 – Illustrative Sample Interview Excerpt (Composite)

Note: The interviews underlying this study were conducted as confidential, recorded voice conversations; full transcripts are not disclosed here to protect participant and institutional confidentiality (see Data Availability Statement). The excerpt below is a composite

illustration, compiled solely from direct dealer quotations already reported across the thirteen themes in Section 5.1, arranged here in a representative question-and-response format to illustrate the interview style and the kind of unprompted, open-ended responses that generated the study's thematic coding. It is not a transcript of any single interview.

Interviewer: How do you generally view market volatility and uncertainty when making trading decisions?

Dealer: "Volatility is market's friend, if it is too much—be cautious."

Interviewer: How does the broader market mood or sentiment affect your day-to-day calls?

Dealer: "Market sentiment and mood is short term and I will average the position if the trend is same, if it is against, I will act based on the stop loss situation."

Interviewer: Do management or performance expectations play into your decisions?

Dealer: "Our decisions will be affected due to performance or management expectations."

Interviewer: How much does past experience or instinct guide your calls, versus data?

Dealer: "Experience plays a major role, instinct work."

Dealer: "Don't get emotionally attached with any position, position should be of data- 80%, Intuition-20%."

Interviewer: How do RBI's actions or communications affect the market, in your experience?

Dealer: "RBI buying will change the market direction."

Dealer: "Markets will become panic when regulator turned aggressive."

Interviewer: What role does liquidity play in your trading decisions?

Dealer: "Liquidity plays a major role as we can come to know during the recent RBI's FX and Rupee movement."

Interviewer: How do you handle uncertain or volatile periods generally?

Dealer: "During volatility we will avoid the trade."

Dealer: "When it is short term, be cautious (Ostrich effect)."

Source: Compiled by the Author from interview quotations reported in Section 5.1 (Themes 1–13).