

11th August 2025
Market Snapshot

Key Overnight Interest Rates p.a.	Current Week	Previous Week	Change	Year change
MIBOR	5.48%	5.50%	-0.02%	-1.13%
US SOFR	4.35%	4.39%	-0.04%	-0.99%
EU ESTR	1.92%	1.92%	0.00%	-1.74%
UK SONIA	3.97%	4.22%	-0.25%	-0.98%

*MIBOR is recorded Friday to Friday while other international benchmarks are recorded Thursday to Thursday. Fall in rates can be attributed to rate cut during this week.

Liquidity Adjustment Conducted By RBI	Thu 07 Aug 2025	Thu 31 Jul 2025	Change
Injected (+)/ Absorbed (-) as on Thursday. [In Rs. Crs.]	-₹ 3,54,931.76	-₹ 2,86,387.79	(68,543.97)

*Liquidity Injection/absorption is calculated from RBI's outstanding operations which includes repo operations, fine tuning operations, targeted long-term operations and special long-term repo operations (SLTRO) for small finance banks. This is recorded Thursday to Thursday and adjusted for public holidays.

Yields (Annualized-p.a.)	Current Week	Previous Week	Change	Year change
India 3 Month T-Bill	5.44%	5.41%	0.03%	-1.21%
India 6 Month T-Bill	5.54%	5.53%	0.01%	-1.19%
India 5 Year Benchmark Yield	6.15%	6.10%	0.05%	-0.64%
India 10 Year Benchmark Yield	6.40%	6.37%	0.03%	-0.48%
US 10 Year Benchmark Yield	4.28%	4.21%	0.07%	0.34%
EU 10 Year Benchmark Yield	2.69%	2.68%	0.01%	0.46%
Japan 10 Year Benchmark Yield	1.49%	1.56%	-0.07%	0.63%
UK 10 Year Benchmark Yield	4.61%	4.53%	0.08%	0.66%

Fund Type	Annualized Weekly Return (p.a.)
Liquid Funds	5.32%
Ultra Short Duration	5.22%
Short Duration	0.16%
GILT	-18.43%

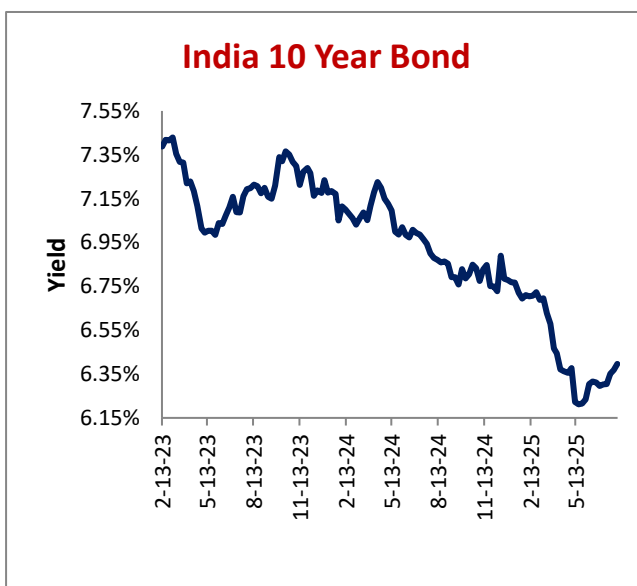
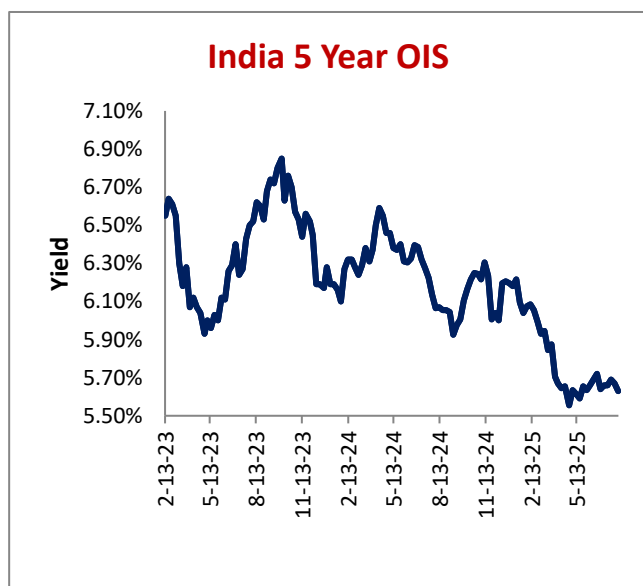
Weekly return as on Thursday is annualized to arrive at the above data set.

Week Ahead:

Key Events [11th August-2025 to 15th August-2025]	Date	Previous Number	Forecasted Number
U.K. Unemployment Rate JUN	12-Aug-25	4.70%	4.70%
Germany ZEW Economic Sentiment Index AUG	12-Aug-25	52.7	45
U.S. Inflation Rate YoY JUL	12-Aug-25	2.70%	2.80%
U.S. Core Inflation Rate YoY JUL	12-Aug-25	2.90%	3.00%
U.K. GDP Growth Rate YoY Prel Q2	14-Aug-25	1.30%	0.70%
U.S. GDP Growth Rate QoQ Adv Q2	14-Aug-25	-0.50%	2.50%
India WPI Inflation YoY JUL	14-Aug-25	-0.13%	0.30%
U.S. PPI MoM JUL	14-Aug-25	0.00%	0.20%
Japan GDP Growth Rate QoQ Prel Q2	15-Aug-25	0.00%	0.20%
U.S. Retail Sales MoM JUL	15-Aug-25	0.60%	0.40%
U.S. Michigan Consumer Sentiment Prel AUG	15-Aug-25	61.7	60.5

Week in Review:

Key Events [04th August-2025 to 09th August-2025]	Date	Previous Number	Actual Number
ISM Services PMI JUL	05-Aug-25	50.8	50.1
RBI Interest Rate Decision	06-Aug-25	5.5%	5.5%
U.K. S&P Global Construction PMI JUL	06-Aug-25	48.80	44.3
China Balance of Trade JUL	07-Aug-25	\$114.77B	\$98.24B
Germany Balance of Trade JUN	07-Aug-25	€18.4B	€14.B
BoE Interest Rate Decision	07-Aug-25	4.25%	4.00%
China Inflation Rate YoY JUL	09-Aug-25	0.00%	-0.10%



Market Recap

Domestic Market

Like all other major central banks, the RBI also adopted a "wait and watch" approach to monetary policy as the impact of the trade tariffs on growth and inflation remain uncertain. It was "Par for the Course" policy with rates on hold and stance neutral having already frontloaded the policy rate cuts earlier. Preceding the policy, the central bank was hard at work for the past months to ensure the weighted average call rate (WACR-which is also the RBI's operational target) aligns closely with the policy rate. The central bank's stance and tone aligned with these actions since the front-loaded rate cuts are still in transmission.

The central bank retained its real GDP growth projection for FY26 at 6.50% while revising the projected CPI inflation rate lower to 3.10% for FY26 as against 3.50% projected in its June meeting. However, it is important to note that the central bank does expect an uptick in inflation starting Q3 and by Q4 FY26, it expects CPI inflation at 4.40%. Bond yields hardened post the policy with the benchmark 10-year yield jumping by almost 10 bps to 6.40%.

Interestingly, the variable rate reverse repo (VRRR) auctions are not garnering strong response in the recent auctions since the end of July with the offers being much lower than the notified amount. The system may have recalibrated itself as seen by the WACR & Tri-party Repo Rates closely aligning with the policy rate. The CRR cuts starting September will provide more liquidity to banks and this will provide RBI the time to access the transmission of previous easing.

The spit over BOE rate decision

It is not just traders but also economists who seem to increasingly differ on inflation outlook. In Thursday's MPC meeting, the Bank of England (BOE) cut rates by 25 bps by a narrow margin of 5-4 votes. It was also the first ever meeting requiring a second round of voting. Nonetheless, it was termed a 'hawkish cut' as the committee overall agreed that the disinflationary trends had weakened since its last meeting in May.

The inflation forecasts were materially higher without this being reflected in stronger economic growth. Inflation forecasts were raised across the three-year forecasting horizon, with inflation expected to reach the 2% a quarter later than the forecasts in May. The 2-year GILTs rose by 10 bps while the 10 year rose by 8 bps. Markets do not expect another rate in November.

Another Dove at the Fed

One of the key highlights from the previous week was the appointment of Stephan Miran (who is the current chairman of the council of economic advisors) as a Fed governor post Adriana Kugler's resignation. Currently this is a temporary appointment since Kugler's term was anyway ending in January 2026. While it may be speculative to comment on Mr. Miran's long term plans (some say he may be made a governor), one thing that is certain is the Fed has found another strong advocate of rate cuts in its board. Mr. Miran has previously criticized Chair Powell for his reluctance to cut rates and has maintained that tariffs do not lead to inflation. Mr. Miran's appointment yet to be confirmed by the senate (expected to happen prior to the FOMC meeting in

September) but he will be joining Governor Waller and Governor Bowman both of whom dissented during the Fed's July meeting where rates were kept unchanged. Governor Bowman in her recent statements has advocated for 3 rate cuts this year.

The more recent economic data out of the U.S. points to a weakening labor market as seen by the sharp downward revisions in the Non-Farm Payrolls as well as the recent ISM Manufacturing and Services PMI numbers both of which showed employment strain. U.S. yields have remained subdued in recent week, and the short-term yields may continue to remain subdued as the rate cut probabilities continue to get priced. Given the current composition of the voting members (including Mr. Miran subject to senate confirmation) a scenario where the Fed front loads rate cuts cannot be fully ruled out.

End of report

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