

25th August 2025
Market Snapshot

Key Overnight Interest Rates p.a.	Current Week	Previous Week	Change	Year change
MIBOR	5.57%	5.53%	0.04%	-1.03%
US SOFR	4.32%	4.34%	-0.02%	-0.99%
EU ESTR	1.93%	1.93%	0.00%	-1.74%
UK SONIA	3.97%	3.97%	0.00%	-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 21 Aug 2025	Thu 14 Aug 2025	Change
Injected (+)/ Absorbed (-) as on Thursday. [In Rs. Crs.]	-₹ 2,17,469.13	-₹ 2,90,261.53	72,792.40

*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	5.49%	5.46%	0.03%	-1.16%
India 6 Month T-Bill	5.59%	5.56%	0.03%	-1.14%
India 5 Year Benchmark Yield	6.35%	6.25%	0.10%	-0.44%
India 10 Year Benchmark Yield	6.55%	6.40%	0.15%	-0.31%
US 10 Year Benchmark Yield	4.26%	4.29%	-0.04%	0.40%
EU 10 Year Benchmark Yield	2.72%	2.78%	-0.06%	0.47%
Japan 10 Year Benchmark Yield	1.62%	1.56%	0.05%	0.72%
UK 10 Year Benchmark Yield	4.70%	4.70%	0.00%	0.73%

Fund Type	Annualized Weekly Return (p.a.)
Liquid Funds	7.07%
Ultra Short Duration	7.17%
Short Duration	0.04%
GILT	-43.75%

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

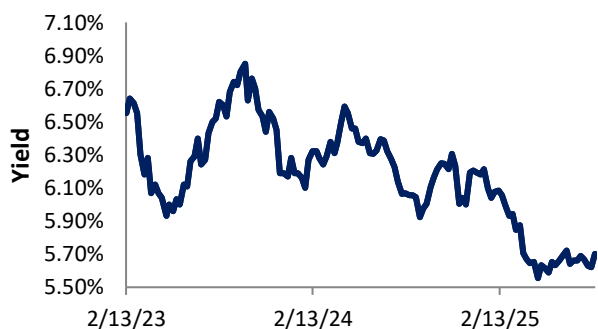
Week Ahead:

Key Events [25th August-2025 to 29th August-2025]	Date	Previous Number	Forecasted Number
Germany Ifo Business Climate AUG	25-Aug-25	88.6	88.7
China Durable Goods Orders MoM JUL	26-Aug-25	-9.30%	-2.50%
Germany GfK Consumer Confidence SEP	27-Aug-25	-21.5	-21.5
India Industrial Production YoY JUL	28-Aug-25	1.50%	2.00%
India Manufacturing Production YoY JUL	28-Aug-25	3.90%	2.90%
U.S. GDP Growth Rate QoQ 2nd Est Q2	29-Aug-25	-0.50%	3.00%
Japan Consumer Confidence AUG	29-Aug-25	33.7	34.2
Germany Inflation Rate YoY Prel AUG	29-Aug-25	2.00%	2.10%
India GDP Growth Rate YoY Q2	29-Aug-25	7.40%	7.80%
U.S. Core PCE Price Index MoM JUL	29-Aug-25	0.30%	0.20%

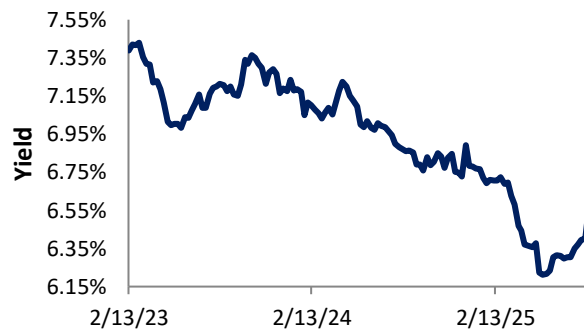
Week in Review:

Key Events [18th August-2025 to 22nd August-2025]	Date	Previous Number	Actual Number
E.U. Balance of Trade JUN	18-Aug-25	€16.2B	€7.0B
India Unemployment Rate JUL	18-Aug-25	5.60%	5.20%
U.S. Housing Starts JUL	19-Aug-25	1.32mn	1.428mn
Japan Balance of Trade JUL	20-Aug-25	¥153.1B	¥-117.5B
U.K. Inflation Rate YoY JUL	20-Aug-25	3.60%	3.80%
India HSBC Composite PMI Flash AUG	21-Aug-25	61.1	65.2
Germany HCOB Manufacturing PMI Flash AUG	21-Aug-25	49.1	49.9
U.K. S&P Global Manufacturing PMI Flash AUG	21-Aug-25	48	47.3
U.S. Existing Home Sales JUL	21-Aug-25	3.93 mn	4.01 mn
U.S. S&P Global Composite PMI Flash AUG	21-Aug-25	55.1	55.4
Japan Inflation Rate YoY JUL	22-Aug-25	3.30%	3.10%
Fed Chair Powell Speech	22-Aug-25		

India 5 Year OIS



India 10 Year Bond



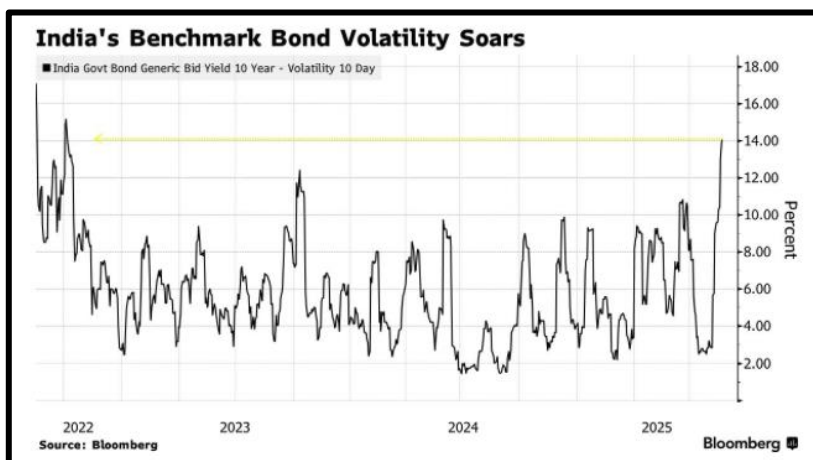
Market Recap

Domestic Market

Tariff concerns have permeated every corner of the economy, from businesses fretting over disrupted orders and supply chains, to politicians and negotiators navigating the delicate threads of geopolitics, economists refining their forecasts, and traders hunting for market opportunities. The latest RBI Monetary Policy Committee (MPC) minutes underscore these challenges, with every member voicing apprehension about the potential ripple effects. Notably, Dr. Rajiv Ranjan (a 36-year RBI veteran) who served as MPC secretary before joining as a member in 2022- described the August meeting as the most difficult of his 21 sessions to date.

The minutes largely mirrored the tone of the governor's policy statement: monetary transmission remains ongoing, average systemic liquidity has hovered around ₹3 lakh crore since June, and the staggered Cash Reserve Ratio (CRR) reductions will provide additional support during the high-demand festive season.

Meanwhile, bond markets have reflected the government's evolving fiscal posture. The GST rationalization measures, announced by the Prime Minister in his Independence Day address, offer a timely boost amid escalating tariff uncertainties. However, this move (which lowers average GST rates) is projected to dent government collections by ₹1.5 lakh crore in the current fiscal year compared to budgeted estimates, potentially necessitating higher borrowings.



This fiscal shift has already stirred volatility in fixed income markets. The 10-year government bond yield surged 15 basis points last week to close at 6.55%, marking the sharpest weekly jump since May 2022.

It is likely the bond yields move toward 6.75% and then go into consolidation which will provide markets with time to assess the fiscal measures.

Jackson Hole- A Shift in the Balance of Risk

Chair Powell right at the start of his speech described the labour market at 'near maximum employment' and inflation elevated though a long way down from its pandemic highs. Right after this he highlighted the shift in the balance of risk. Since the previous Jackson Hole symposium the Fed has cut rates by 1% and unemployment rate has also ticked up by 1%. Chair Powell also noted the revisions in the payrolls data and highlighted that the labor supply has softened in line with demand, reducing the "breakeven" rate of job creation needed to stabilize unemployment.

Market reactions were swift , U.S. stocks surged, Dollar weakened, yields softened across the curve and the rate cut probabilities for September rose to 85%. Interestingly the reaction in yields was not as dramatic, for instance the 2-year has not broken its recent lows of 3.60% probably because markets are yet to access the quantum of cuts that may materialise this year. Chair Powell in his statement highlighted that though the inflation from tariffs maybe temporary, the pass through in prices may take some time to materialise and that may possibly keep the Fed a little cautious on committing to any aggressive easing, moreover the Fed may want to look at the future employment reports to confirm that conditions highlighted in the July payrolls (& the revision of previous months). For now, it looks likely that two rate cuts this year is the base case.

End of report

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