

15th September 2025
Market Snapshot

Key Overnight Interest Rates p.a.	Current Week	Previous Week	Change	Year change
MIBOR	5.47%	5.40%	0.07%	-1.24%
US SOFR	4.41%	4.42%	-0.01%	-0.92%
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 11 Sep 2025	Thu 04 Sep 2025	Change
Injected (+)/ Absorbed (-) as on Thursday. [In Rs. Crs.]	-₹ 2,85,322.10	-₹ 2,86,955.46	1,633.36

*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	5.51%	5.52%	-0.01%	-1.14%
India 6 Month T-Bill	5.62%	5.64%	-0.02%	-1.10%
India 5 Year Benchmark Yield	6.34%	6.30%	0.04%	-0.38%
India 10 Year Benchmark Yield	6.49%	6.47%	0.02%	-0.32%
US 10 Year Benchmark Yield	4.06%	4.09%	-0.03%	0.38%
EU 10 Year Benchmark Yield	2.71%	2.66%	0.06%	0.56%
Japan 10 Year Benchmark Yield	1.60%	1.57%	0.03%	0.73%
UK 10 Year Benchmark Yield	4.68%	4.65%	0.03%	0.89%

Fund Type	Annualized Weekly Return (p.a.)
Liquid Funds	5.06%
Ultra Short Duration	4.97%
Short Duration	2.96%
GILT	-11.77%

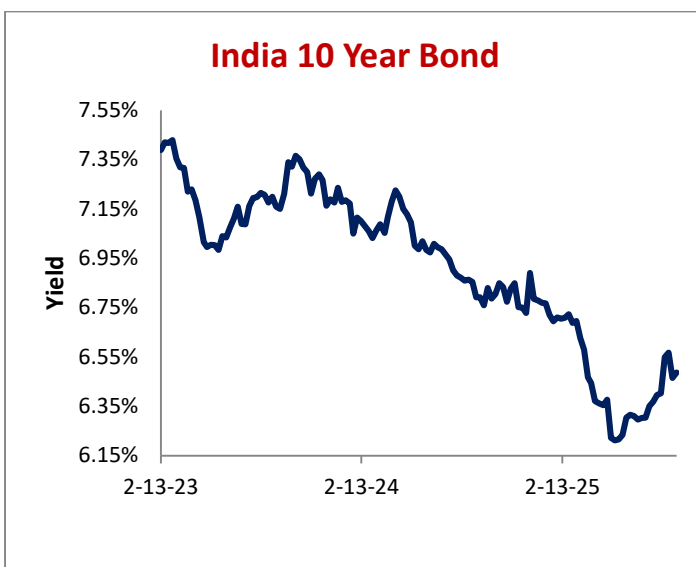
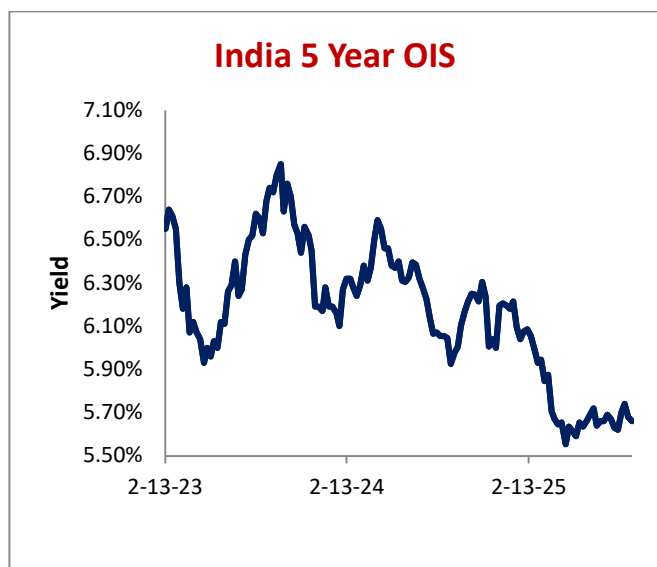
Weekly return as on Thursday is annualized to arrive at the above data set.

Week Ahead:

Key Events [15th September-2025 to 19th September-2025]	Date	Previous Number	Forecasted Number
China Industrial Production YoY AUG	15-Sep-25	-2.80%	-2.60%
China Retail Sales YoY AUG	15-Sep-25	3.70%	5.00%
India WPI Inflation YoY AUG	15-Sep-25	-0.58%	0.10%
India Unemployment Rate AUG	15-Sep-25	5.20%	5.40%
India Balance of Trade AUG	15-Sep-25	\$-27.35B	\$-30.0B
U.K. Unemployment Rate JUL	16-Sep-25	4.70%	4.70%
Germany ZEW Economic Sentiment Index SEP	16-Sep-25	34.7	22
U.S. Retail Sales MoM AUG	16-Sep-25	0.50%	0.4%
Japan Balance of Trade AUG	17-Sep-25	¥-118.4B	¥-450.0B
U.K. Inflation Rate YoY AUG	17-Sep-25	3.80%	3.80%
U.S. Building Permits Prel AUG	17-Sep-25	1.362M	1.37M
U.S. Housing Starts AUG	17-Sep-25	1.428M	1.37M
Fed Interest Rate Decision	17-Sep-25	4.50%	4.25%
BoE Interest Rate Decision	17-Sep-25	4.00%	4.00%
Japan Inflation Rate YoY AUG	19-Sep-25	3.10%	2.80%
BoJ Interest Rate Decision	19-Sep-25	0.50%	0.50%

Week in Review:

Key Events [08th September-2025 to 12th September-2025]	Date	Previous Number	Actual Number
China Balance of Trade AUG	08-Sep-25	\$98.24B	\$102.33B
Germany Balance of Trade JUL	08-Sep-25	€15.4B	€14.7B
U.S. Non-Farm Payrolls Annual Revision	09-Sep-25	-818K	-911K
China Inflation Rate YoY AUG	10-Sep-25	0.00%	-0.40%
U.S. PPI MoM AUG	10-Sep-25	0.70%	-0.10%
E.U. Deposit Facility Rate	11-Sep-25	2.00%	2.00%
ECB Interest Rate Decision	11-Sep-25	2.15%	2.15%
U.S. Core Inflation Rate YoY AUG	11-Sep-25	3.10%	3.10%
U.S. Inflation Rate YoY AUG	11-Sep-25	2.70%	2.90%
U.K. GDP MoM JUL	12-Sep-25	0.40%	0.00%
India Inflation Rate YoY AUG	12-Sep-25	1.61%	2.07%
U.S. Michigan Consumer Sentiment Prel SEP	12-Sep-25	58.2	55.4



Market Recap

Domestic Market

September opened with India's financial markets straddling resilience and fragility. States leaned heavily on the RBI, with short-term advances soaring to ₹44,070 crore from just ₹19,623 crore a week earlier, signalling fiscal stress ahead of festival spending. Meanwhile, the Centre stayed reliant on market borrowings. The RBI's foreign reserves stood near record highs at US\$698.3 billion, supported by a US\$28.3 billion year-on-year rise in gold, reflecting the 45% surge in gold prices and 57 metric tonnes added during the year.



Banks saw steady deposit growth, but borrowings jumped, hinting at liquidity mismatches even as non-food credit expanded roughly 10% YoY. Money supply rose 9.8%, aligning with nominal GDP, yet the RBI drained excess liquidity aggressively, once absorbing nearly ₹3 lakh crore in a single day an inflation-first signal. Inflation inched up to 2.07% in August, still low enough to leave room for a potential 25–50 bps rate cut later this year, particularly amid mounting GDP risks from tariffs and soft exports. Bond markets, however, stayed jittery: the 10-year G-sec yield ticked up to 6.49%, pressured by long-tenor supply, while investors await clarity from the H2 borrowing calendar

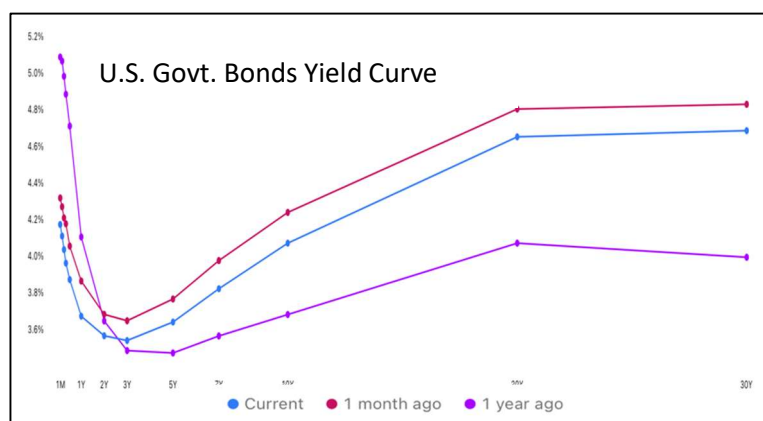
In short, India's financial system is liquidity-rich but uneven: credit grows, states struggle, investors retreat, and the RBI juggles growth support with market stability. All eyes now turn to the October 1 policy review and the new borrowing calendar for cues on bonds, currency, and equities.

France's Debt Crisis Deepens Amid Fitch Downgrade and Political Turmoil

Fitch's decision to downgrade France's sovereign credit rating to A+, the lowest ever for a major agency, exposes deep political and fiscal instability at a critical juncture. Prime Minister Sebastien Lecornu faces immense pressure to craft a budget acceptable to a fragmented parliament, amid ballooning public debt at 113.9% of GDP and a record-high budget deficit of 5.4% of GDP. The market largely priced in the downgrade, but investor anxiety remains as French bond yields edge closer to Italy's, eroding confidence in France's ability to stabilize its finances. Meanwhile, the European Central Bank remains cautious, holding rates steady amid resilient inflation and geopolitical uncertainty, emphasizing adherence to EU fiscal rules. ECB voices signal no rush for intervention, highlighting a tense balancing act between market discipline and systemic stability. The unfolding crisis echoes past eurozone debt crises, underscoring how excessive deficits and debt ratios amplify vulnerability to market sentiment shifts and political upheaval.

Bond Market Braces as Fed Poised for Rate Cut Amid Weak Jobs Data and Slumping Sentiment

As the Federal Reserve's pivotal meeting approaches on September 17, 2025, the U.S. economy presents a troubling and complex picture. The 10-year Treasury yield stands at 4.06%, while the 2-year yield is at 3.56%, creating a 50 basis point spread. Over the past month, the entire yield curve experienced a downward parallel shift of about 15–20 basis points, driven by escalating expectations of near-term rate cuts amid weakening economic data and persistent fiscal deficits. Despite this shift, the curve has steepened from earlier in the year when it was inverted.



Recent data revisions revealed the U.S. economy added 911,000 fewer jobs over the past year than initially reported the largest downward correction in over two decades. August's job growth was just 22,000, while the unemployment rate rose to 4.3%, near a four-year high. Consumer sentiment also plunged, with the University of Michigan's index falling to 55.4, the lowest since May.

Investors now price in a 93% probability of a 25-basis-point Fed rate cut next week, with rising speculation of a 50-bps reduction. Inflation expectations remain anchored near 2.4%, suggesting tariff-driven price pressures are seen as transitory. The Fed faces a delicate balancing act, easing policy to support the weakening labour market while preventing inflation from rebounding. Jerome Powell's statement and the Summary of Economic Projections will be critical in shaping market expectations, with the yield curve's recent downward shift and steepening serving as key barometers of investor sentiment.

End of report

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