

**22<sup>nd</sup> September 2025**
**Market Snapshot**

Key Overnight Interest Rates p.a.	Current Week	Previous Week	Change	Year change
MIBOR	5.58%	5.47%	0.11%	-1.16%
US SOFR	4.14%	4.41%	-0.27%	-0.68%
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 18 Sep 2025	Thu 11 Sep 2025	Change
Injected (+)/ Absorbed (-) as on Thursday. [In Rs. Crs.]	-₹ 72,774.17	-₹ 2,85,322.10	2,12,547.93

\*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%	5.51%	-0.02%	-1.06%
India 6 Month T-Bill	5.60%	5.62%	-0.02%	-1.01%
India 5 Year Benchmark Yield	6.25%	6.34%	-0.09%	-0.43%
India 10 Year Benchmark Yield	6.49%	6.49%	0.00%	-0.27%
US 10 Year Benchmark Yield	4.13%	4.06%	0.07%	0.39%
EU 10 Year Benchmark Yield	2.74%	2.71%	0.03%	0.54%
Japan 10 Year Benchmark Yield	1.64%	1.60%	0.04%	0.79%
UK 10 Year Benchmark Yield	4.71%	4.68%	0.03%	0.82%

Fund Type	Annualized Weekly Return (p.a.)
Liquid Funds	6.18%
Ultra Short Duration	6.32%
Short Duration	8.04%
GILT	17.64%

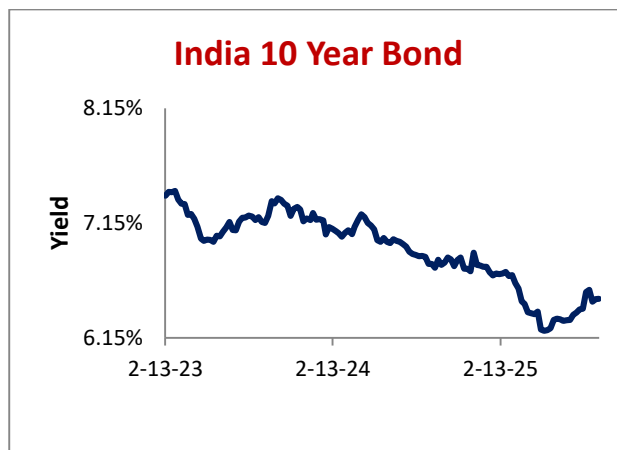
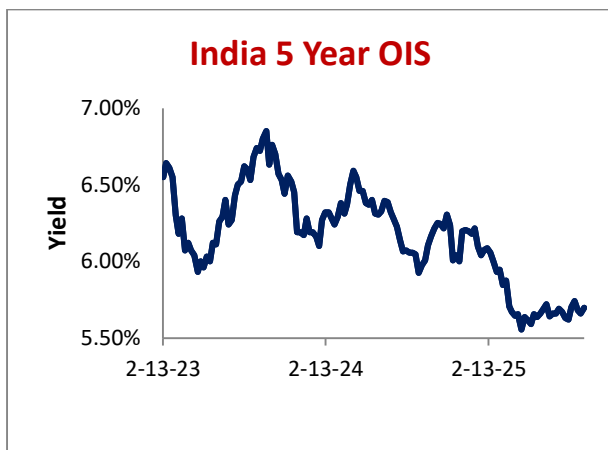
Weekly return as on Thursday is annualized to arrive at the above data set.

## Week Ahead:

Key Events [22nd September-2025 to 26th September-2025]	Date	Previous Number	Forecasted Number
Germany HCOB Manufacturing PMI Flash SEP	23-Sep-25	49.8	50.0
U.K. S&P Global Manufacturing PMI Flash SEP	23-Sep-25	47.0	49.0
U.K. S&P Global Services PMI Flash SEP	23-Sep-25	54.2	51.7
Germany Ifo Business Climate SEP	24-Sep-25	89.0	88.4
Germany GfK Consumer Confidence OCT	25-Sep-25	-23.6	-24.0
U.S. Durable Goods Orders MoM AUG	25-Sep-25	-2.80%	-1.50%
U.S. GDP Growth Rate QoQ Final Q2	25-Sep-25	-0.50%	3.30%
U.S. Existing Home Sales AUG	25-Sep-25	4.01m	4.08m
U.S. Core PCE Price Index MoM AUG	26-Sep-25	0.30%	0.30%
U.S. Personal Income MoM AUG	26-Sep-25	0.40%	0.30%

## Week in Review:

Key Events [15th September-2025 to 19th September-2025]	Date	Previous Number	Actual Number
China Industrial Production YoY AUG	15-Sep-25	5.70%	5.20%
China Retail Sales YoY AUG	15-Sep-25	3.70%	3.40%
India WPI Inflation YoY AUG	15-Sep-25	-0.58%	0.52%
India Unemployment Rate AUG	15-Sep-25	5.20%	5.10%
India Balance of Trade AUG	15-Sep-25	\$-27.35B	\$-26.49B
U.K. Unemployment Rate JUL	16-Sep-25	4.70%	4.70%
Germany ZEW Economic Sentiment Index SEP	16-Sep-25	34.7	37.3
U.S. Retail Sales MoM AUG	16-Sep-25	0.60%	0.60%
Japan Balance of Trade AUG	17-Sep-25	¥-118.4B	¥-242.5B
U.K. Inflation Rate YoY AUG	17-Sep-25	3.80%	3.80%
U.S. Building Permits Prel AUG	17-Sep-25	1.362M	1.312M
U.S. Housing Starts AUG	17-Sep-25	1.429M	1.307M
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%	2.0%
BoJ Interest Rate Decision	19-Sep-25	0.50%	0.50%



## Market Recap

### Domestic Market

**Back to positive (but are we out of the disinflationary spiral?)** WPI inflation rose to +0.52% y/y in August (July: -0.58%, June: -0.19%), a four-month high and above the 0.30% median forecast. The move snaps two months of deflation and takes the index back into positive territory.

What drove the uptick:

- Food did most of the lifting: analysts attribute approximately 73 bps of the 110-bps swing from July to food items. Food inflation rose to 5.56% (July: 3.40%).
- Core WPI (non-food manufactured items) contributed approximately 27 bps to the rise. Manufactured products inflation firmed to 2.55% (July: 2.05%).
- Fuel & power stayed in deflation and deepened: -3.17% (July: -2.43%). Crude petroleum & natural gas remained negative at -13.68% (July: -14.86%).



Interestingly, though the WPI comes out of a deflationary spiral, the theme is of concern across Asia. China's weak domestic consumption along with its trade uncertainties with world's largest consumer market (The United States) has resulted in excess capacity & that is of concern across Asia where cheaper Chinese goods may hurt the domestic market.

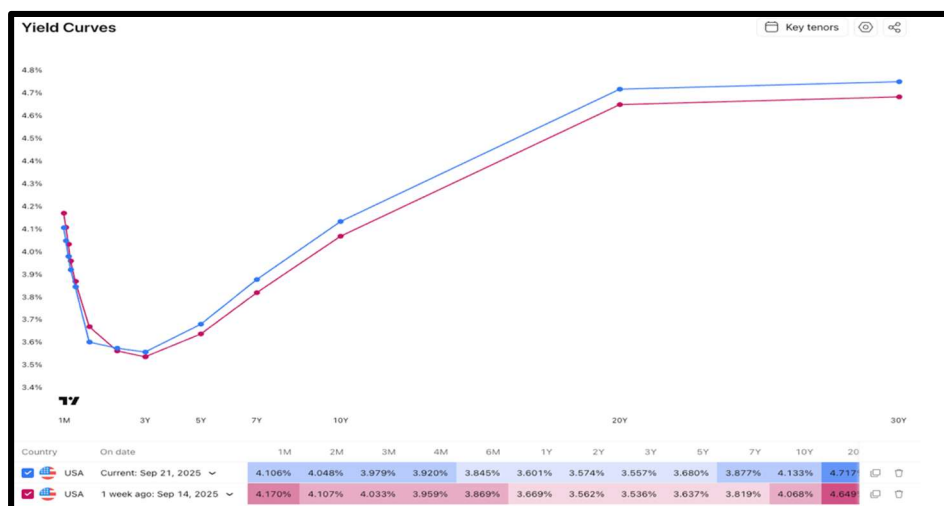
India may soon implement Anti-Dumping Duties across various raw materials to ensure the Chinese deflationary spiral does not make way into the country.

Moreover, the subdued inflation may be further supported by the upcoming cut in GST on various products. While the MPC forecasts inflation (CPI) breaching the 4% mark by Q4 FY25,

leading economists project a 60 bps to 120 bps reduction in the CPI due to the cut in the GST rates. Indian benchmark 10 year yield is down about 16 bps from its recent high of 6.65%.

## A 'Risk Management' Cut

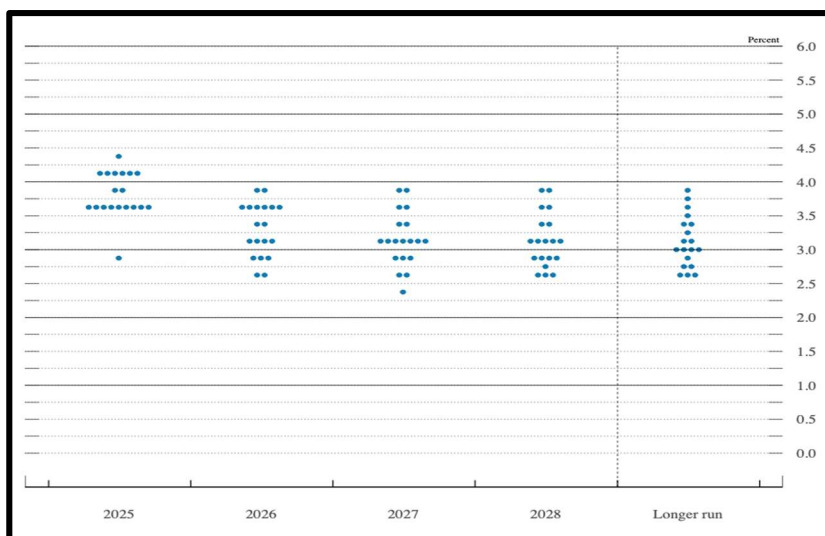
The Federal Reserve cut its benchmark interest rates by 25 bps lowering its target band to 4%-4.25%. Though Chair Powell termed it as a 'risk management cut' to manage the weakening labor market, there were a few points of interest. First off, this was the first meeting in which Governor Miran voted (who is on a temporary leave from his role at the White House) & he was the lone dissenter who voted against a 25-bps cut, favoring a larger 50 bps cut. It was not just Governor Miran, many large wall street banks had started anticipating a larger cut going into the FOMC week. This is clearly seen by the upward shift in the yield curve post the FOMC outcome.



What further surprised the market participants was the fact that Chair Powell was able to broadly unite the committee. In the July meeting there were two dissenters- Governor Waller & Governor Bowman, both of whom did not dissent this meeting. Funnily enough, Polymarket (a popular betting website) saw odds of Governor Waller being announced as the new Fed Chair drop post the meeting.

The Dot Plot rather shows a precarious situation & a divide within the Fed. It may be noted that out of the 19 members, 7 do not expect any further rate cuts this year. Though there are only 12 voting member and it is not possible to determine who is the voting member, this still proves to be tricky territory.

The statement of economic projections also showed inflation (PCE) remaining elevated at 3% for the rest of the year and only returning to the Fed's mandate of 2% by 2027.



Overall, the policy cut was on the side of caution, while the labor market does seem to be weakening, members remain cautious as to how the inflation will play out in the face of tariffs.

End of report

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