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Weekly Fixed Income Bulletin

01st September 2025

Market Snapshot

Key Overnight Interest Rates p.a.	Current Week	Previous Week	Change	Year change
MIBOR	5.54%	5.57%	-0.03%	-1.16%
US SOFR	4.34%	4.32%	0.02%	-0.99%
EU ESTR	1.92%	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 28 Aug 2025	Thu 21 Aug 2025	Change
Injected (+)/ Absorbed (-) as on Thursday. [In Rs. Crs.]	-₹ 2,37,211.42	-₹ 2,17,469.13	(19,742.29)

**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	5.52%	5.49%	0.03%	-1.13%
India 6 Month T-Bill	5.62%	5.59%	0.03%	-1.13%
India 5 Year Benchmark Yield	6.35%	6.35%	0.01%	-0.42%
India 10 Year Benchmark Yield	6.57%	6.55%	0.02%	-0.30%
US 10 Year Benchmark Yield	4.23%	4.26%	-0.03%	0.36%
EU 10 Year Benchmark Yield	2.72%	2.72%	-0.01%	0.44%
Japan 10 Year Benchmark Yield	1.60%	1.62%	-0.01%	0.71%
UK 10 Year Benchmark Yield	4.72%	4.70%	0.03%	0.70%

Fund Type	Annualized Weekly Return (p.a.)
Liquid Funds	5.32%
Ultra Short Duration	4.66%
Short Duration	0.42%
GILT	-20.73%

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

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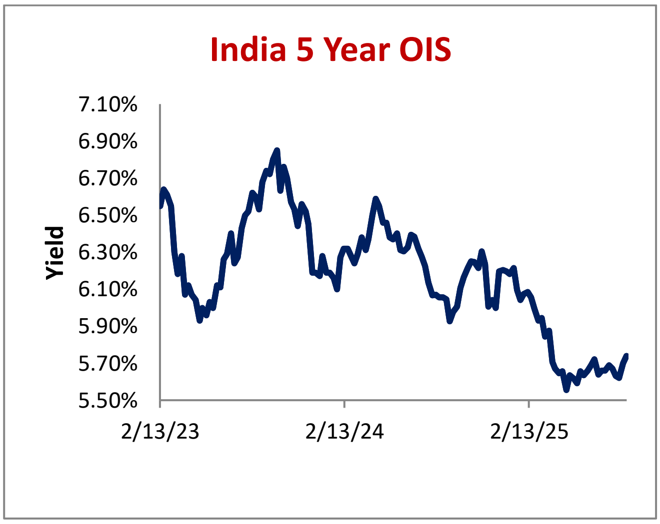
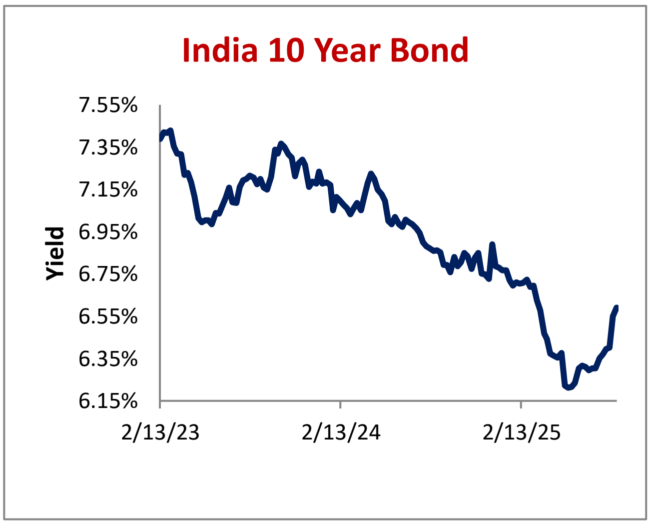
Week Ahead:

Key Events *[01st September-2025 to 05th September-2025]*	Date	Previous Number	Forecasted Number
China Caixin Manufacturing PMI AUG	01-Sep-25	49.5	49.7
EU Unemployment Rate JUL	01-Sep-25	6.20%	6.20%
EU Inflation Rate YoY Flash AUG	02-Sep-25	2.00%	2.10%
U.S. ISM Manufacturing PMI AUG	02-Sep-25	48.0	48.2
U.S. JOLTs Job Openings JUL	03-Sep-25	7.43 mn	7.30 mn
U.S. ADP Employment Change AUG	04-Sep-25	104K	65K
U.S. ISM Services PMI AUG	04-Sep-25	50.1	50.2
U.K. Retail Sales MoM JUL	05-Sep-25	0.90%	0.30%
U.S. Non-Farm Payrolls AUG	05-Sep-25	73K	75K
U.S. Unemployment Rate AUG	05-Sep-25	4.20%	4.30%

Week in Review:

Key Events *[25th August-2025 to 29th August-2025]*	Date	Previous Number	Actual Number
Germany Ifo Business Climate AUG	25-Aug-25	88.6	89.0
U.S. Durable Goods Orders MoM JUL	26-Aug-25	-9.40%	-2.80%
Germany GfK Consumer Confidence SEP	27-Aug-25	-21.7	-23.6
India Industrial Production YoY JUL	28-Aug-25	1.50%	3.50%
India Manufacturing Production YoY JUL	28-Aug-25	3.70%	5.40%
U.S. GDP Growth Rate QoQ 2nd Est Q2	29-Aug-25	-0.50%	3.30%
Japan Consumer Confidence AUG	29-Aug-25	33.7	34.9
Germany Inflation Rate YoY Prel AUG	29-Aug-25	2.00%	2.20%
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%	0.30%





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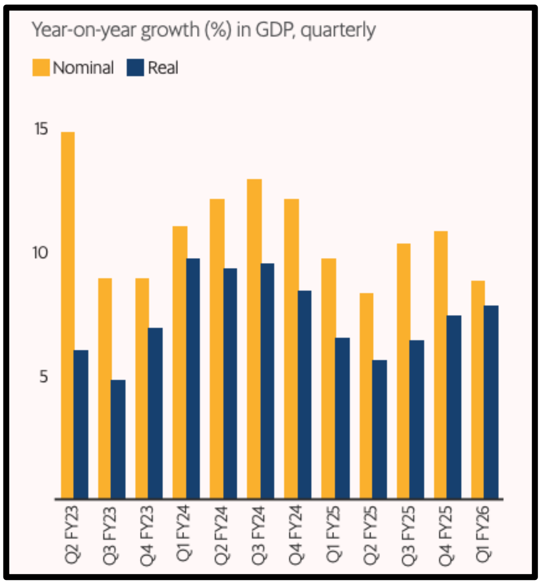
Market Recap

Domestic Market

India's Q1 GDP was a tale of two stories- real GDP grew 7.8% in Q1 (a five-quarter high) beating the 6.5% (RBI) estimate and topping the 7.4% print last quarter. Yet nominal GDP slowed to 8.8%, a three-quarter low. The gap between the two is the story.



At the centre is the GDP deflator (0.90% YoY, a 23-quarter low). The deflator is the economy-wide price layer that turns physical output into currency: *real GDP + prices = nominal GDP*. When that price layer thins, real growth looks stronger even as nominal momentum cools. Put simply, weak price gains can also have a significant impact on the real GDP number.

Under the hood, manufacturing GVA came in at 7.70% in real terms (10.1% nominal) and services at 9.30% in real terms (11.3% nominal). Private consumption improved to 7% (even though nominal saw a slip to 9.2%)

Most forecasters are retaining their FY26 growth targets around 6% to 6.50% primarily due to external risk of tariffs & slowing capex- the gross fixed capital formation slowed to 7.8% in Q1 as compared to 9.4% in the previous quarter. Other indicators of stress- for example agriculture credit growth has slowed sharply to 7.30% YoY in July down from 18.10% in July 2024, softness being observed in personal loans especially for vehicles & credit cards keep the overall assessment of the GDP print mixed.

Fed Independence Watch

The shuffling within the Board of Governors of the U.S. Federal Reserve is not short of a television soap. The week started with President Trump removing Governor Lisa Cook on account of a mortgage fraud. In essence, Governor cook in her mortgage records had stated that her second home purchase was going to be a primary residence to avail a concession on the mortgage rates. A few weeks back, President Trump placed the Chairman of the Chief Economic Council Stephan Miran as a replacement to Adriana Kugler's and there is once again an opportunity which the White House can use to put 'dove' amongst the voting members of the FOMC.

While this will be a legal battle, the risk would be on any erosion of confidence in the Fed. This might put pressure on the yields in case investors get spooked.

Another Payrolls Surprise?

Markets are anticipating the Non-Farm Payrolls (NFP) to indicate about 75,000 job gains in the month of August and a slight uptick in unemployment rate to 4.30%. This brings back Chair Powell's speech at the Jackson Hole symposium- the balance of risk is changing and so is the neutral rate which is prompting a lot of Fed members including Chair Powell to indicate that a rate cut in September is likely.

Another key event would the annual benchmark revision of the Non-Farm Payrolls which would be released by the Bureau of Labour Statistics on 9th September. Interestingly, the jobs number were revised lower by 800,000 last September post which Fed cut rates by a hefty 50 bps. Current estimates suggest that the actual employment may be overstated between 500,000 to 800,000 jobs.

Any surprise to employment needs to be closely watched, it is likely the based on the recent speeches by key members of the Federal Reserve, labour market indeed is weakening and the Fed may engage in a series of cuts. Moreover Friday's PCE which rose by 0.30% MoM was broadly in line with market expectations and did not deter the markets from expecting rate cuts.

End of report

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