

06th October 2025
Market Snapshot

Key Overnight Interest Rates p.a.	Current Week	Previous Week	Change	Year change
MIBOR	5.40%	5.64%	-0.24%	-1.10%
US SOFR	4.20%	4.18%	0.02%	-0.65%
EU ESTR	1.92%	1.93%	0.00%	-1.48%
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 02 Oct 2025	Thu 25 Sep 2025	Change
Injected (+)/ Absorbed (-) as on Thursday. [In Rs. Crs.]	-₹ 1,76,780	-₹ 12,982	-₹ 1,63,798

*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	5.48%	5.48%	0.00%	-1.00%
India 6 Month T-Bill	5.58%	5.58%	0.00%	-0.98%
India 5 Year Benchmark Yield	6.11%	6.29%	-0.18%	-0.58%
India 10 Year Benchmark Yield	6.51%	6.52%	-0.01%	-0.27%
US 10 Year Benchmark Yield	4.12%	4.19%	-0.07%	0.27%
EU 10 Year Benchmark Yield	2.70%	2.75%	-0.04%	0.55%
Japan 10 Year Benchmark Yield	1.66%	1.66%	0.00%	0.84%
UK 10 Year Benchmark Yield	4.69%	4.76%	-0.06%	0.67%

Fund Type	Annualized Weekly Return (p.a.)
Liquid Funds	7.16%
Ultra Short Duration	9.14%
Short Duration	8.37%
GILT	18.06%

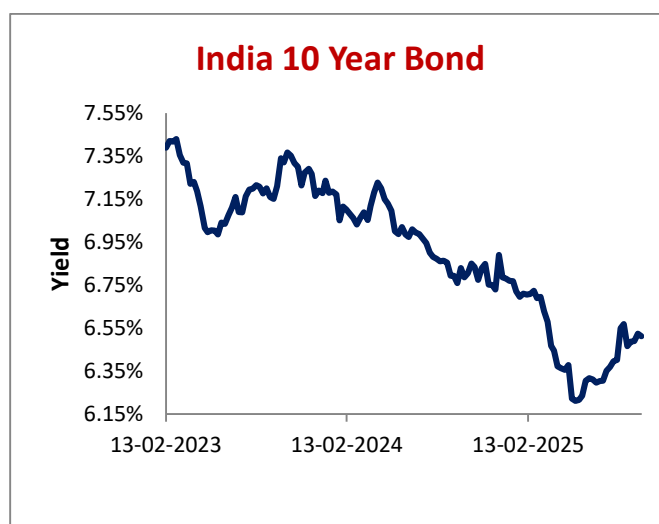
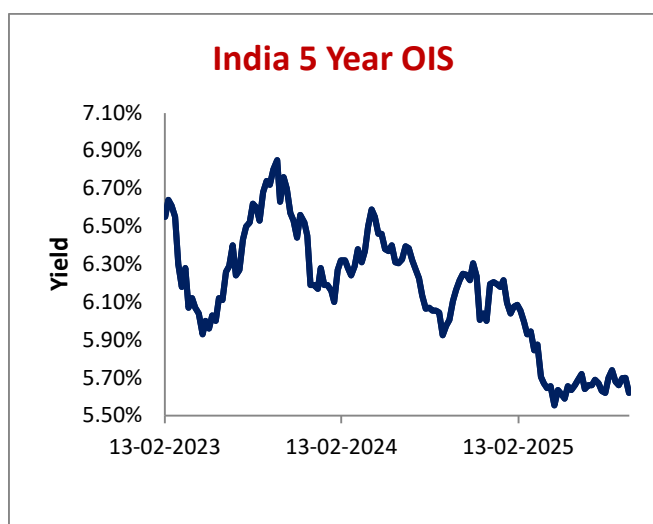
Weekly return as on Thursday is annualized to arrive at the above data set.

Week Ahead:

Key Events [06th October-2025 to 10th October-2025]	Date	Previous Number	Forecasted Number
India HSBC Composite PMI Final SEP	06-Oct-25	63.2	61.9
India HSBC Services PMI Final SEP	06-Oct-25	62.9	61.6
Fed Miran Speech	07-Oct-25		
FOMC Minutes	09-Oct-25		
Fed Chair Powell Speech	09-Oct-25		
U.S. Michigan Consumer Sentiment Prel OCT	09-Oct-25	55.1	54

Week in Review:

Key Events [29th September-2025 to 03rd October-2025]	Date	Previous Number	Actual Number
India Industrial Production YoY AUG	29-Sep-25	4.30%	4.00%
India Manufacturing Production YoY AUG	29-Sep-25	6.00%	3.80%
China NBS Manufacturing PMI SEP	30-Sep-25	49.4	49.8
China Rating Dog Manufacturing PMI SEP	30-Sep-25	50.5	51.2
Germany Inflation Rate YoY Prel SEP	30-Sep-25	2.20%	2.40%
U.S. JOLTs Job Openings AUG	30-Sep-25	7.20M	7.23M
Japan Tankan Large Manufacturers Index Q3	01-Oct-25	13	14
Euro Area Inflation Rate YoY Flash SEP	01-Oct-25	2.00%	2.20%
U.S. ISM Manufacturing PMI SEP	01-Oct-25	48.7	49.1
RBI's Interest Rate Decision	01-Oct-25	5.50%	5.50%
Japan Consumer Confidence SEP	02-Oct-25	34.9	35.3
U.S. ISM Services PMI SEP	03-Oct-25	52.00	50.00
U.S. Non-Farm Payrolls SEP	03-Oct-25	-	-

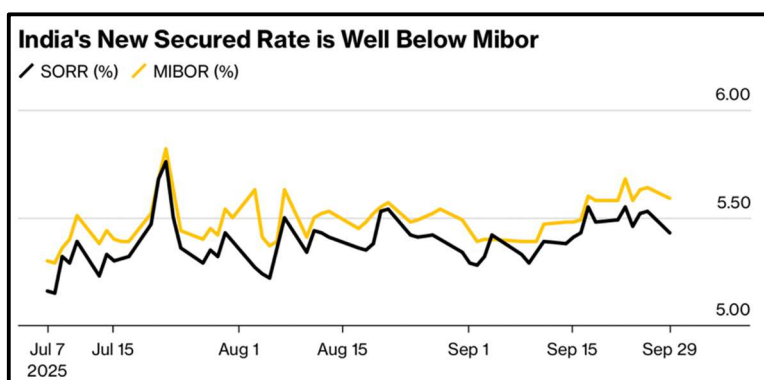


Market Recap

RBI Hits Pause — But December Is Now the Month to Watch

The Reserve Bank of India's October policy felt less like a pause and more like a prelude. Governor Sanjay Malhotra held the repo rate at 5.5%, calling it a "pause with purpose," as inflation is now projected to ease to around 2.6% and growth was upgraded to 6.8%. Instead of rushing into rate cuts, the RBI revived its old "credit policy" playbook, easing rules for corporate loans, raising limits on IPO and share-backed financing, and scrapping the 2016 large-exposure curbs. The move aimed to revive credit flow and signal confidence that growth support is back on the agenda.

The money markets quickly echoed that tone: MIBOR, the key overnight lending benchmark slipped by 24 bps to 5.40%, reflecting ample liquidity and easing rate pressures. On a separate note, the domestic money market is quietly preparing for a major change. India's long-standing MIBOR benchmark, a fixture of interbank lending is set to make way for the Secured Overnight Financing Rate (SORR). The new gauge, tied to the repo market, will capture broader liquidity and more accurately mirror real borrowing conditions. Markets cheered the reassurance that growth support isn't off the table, even if the trigger finger waits till December. With global headwinds still looming and trade tariffs weighing on sentiment, the RBI's stance struck a careful balance steady hands on rates, but a soft pivot toward easing. In essence, policy stayed still, but momentum clearly shifted toward growth.



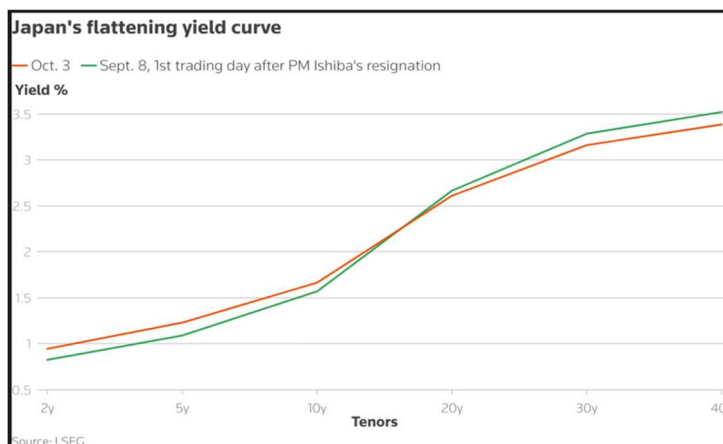
United States Shutdown Strains Deepen Fed Divide as Economic Momentum Falters

The U.S. economy is caught in a crosscurrent of slowing growth, trade disruptions, and a deepening policy divide within the Federal Reserve. Governor Stephen Miran's push for a sharper 50-basis-point rate cut has reopened debate inside the Fed, where others like Austan Goolsbee and Lorie Logan argue inflation, still hovering above 3% leaves little room for haste. The central bank's 4.00–4.25% rate range, Miran contends, is choking momentum just as uncertainty peaks. A government shutdown has paralyzed data flow, masking the true economic picture while draining roughly \$400 million daily and risking 0.1–0.2 percentage point GDP losses each week.

On the ground, the slowdown is unmistakable. The ISM manufacturing PMI nudged up to 49.1, but it marked a seventh straight month of contraction. Factories are reeling from 25% tariffs on heavy-duty trucks, with order books thinning and employment faltering. ADP data showing a 32,000-job loss in September, its worst since 2023 has underscored the fragility beneath headline numbers. Markets have taken notice: the 10-year yield slipped to 4.12%, and the dollar index has tumbled 10% this year. For now, the Fed faces an uneasy trade-off, cut too slowly, and risk a hard landing; cut too fast, and stoke inflation's embers.

Japan Faces Policy Tightrope as Global Uncertainty Deepens

Japan's economy is increasingly caught in the crosscurrents of global instability, with the prolonged U.S. government shutdown and renewed tariff tensions clouding its recovery prospects. Bank of Japan Governor Kazuo Ueda, speaking in Osaka, struck a cautious tone, noting that while inflation is inching toward target, external shocks especially from the U.S. could derail momentum. Markets now price a 60% chance of a rate hike to 0.75% at the BOJ's late-October meeting, but Ueda signalled that upcoming U.S. data releases will be pivotal. Strong American data could push the dollar higher and weaken the yen, fuelling imported inflation and nudging the BOJ closer to tightening. Conversely, softer U.S. numbers could ease yield pressures and give policymakers room to wait.



The pressure at home is equally intense. The Yen has slid to 147.8 per dollar, while 10-year JGB yields have stayed at 1.66%, the highest since 2008, reflecting investor unease and weak auction demand. The jobless rate has edged up to 2.6%, and firms face higher wage and input costs. Toyota warns of a ¥1.4 trillion tariff hit. Political uncertainty ahead of the LDP leadership race adds to the complexity, with fiscal priorities in flux. For the BOJ, the challenge is delicate: act too soon and risk choking a fragile recovery; wait too long and let global volatility and imported inflation tighten financial conditions on their own.

End of report

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