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Weekly Fixed Income Bulletin

13th October 2025

Market Snapshot

Key Overnight Interest Rates p.a.	Current Week	Previous Week	Change	Year change
MIBOR	5.66%	5.40%	0.26%	-0.84%
US SOFR	4.13%	4.20%	-0.07%	-0.69%
EU ESTR	1.93%	1.92%	0.00%	-1.49%
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 09 Oct 2025	Thu 02 Oct 2025	Change
Injected (+)/ Absorbed (-) as on Thursday. [In Rs. Crs.]	-₹ 1,55,850.34	-₹ 1,76,780.69	₹ 20,930.35

**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	5.44%	5.48%	-0.04%	-1.02%
India 6 Month T-Bill	5.54%	5.58%	-0.04%	-1.02%
India 5 Year Benchmark Yield	6.14%	6.11%	0.03%	-0.55%
India 10 Year Benchmark Yield	6.54%	6.51%	0.02%	-0.24%
US 10 Year Benchmark Yield	4.05%	4.12%	-0.07%	-0.04%
EU 10 Year Benchmark Yield	2.64%	2.70%	-0.07%	0.38%
Japan 10 Year Benchmark Yield	1.69%	1.66%	0.03%	0.73%
UK 10 Year Benchmark Yield	4.68%	4.69%	-0.01%	0.46%

Fund Type	Annualized Weekly Return (p.a.)
Liquid Funds	6.10%
Ultra Short Duration	5.72%
Short Duration	13.46%
GILT	12.53%

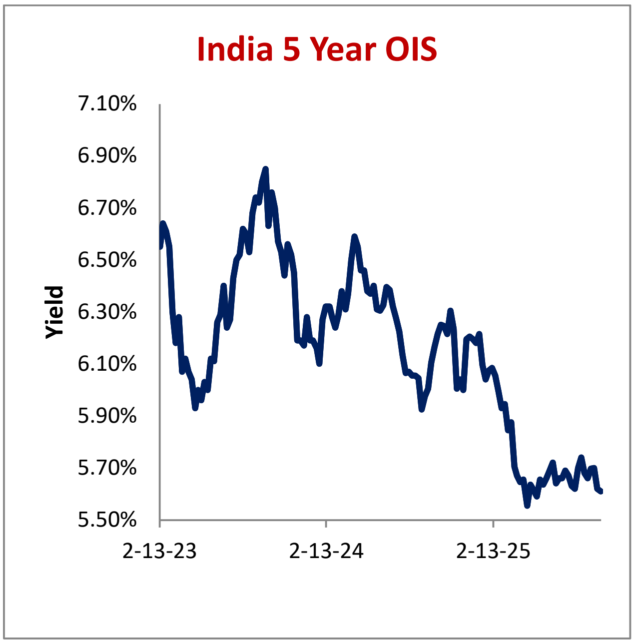
Weekly return as on Thursday is annualized to arrive at the above data set.

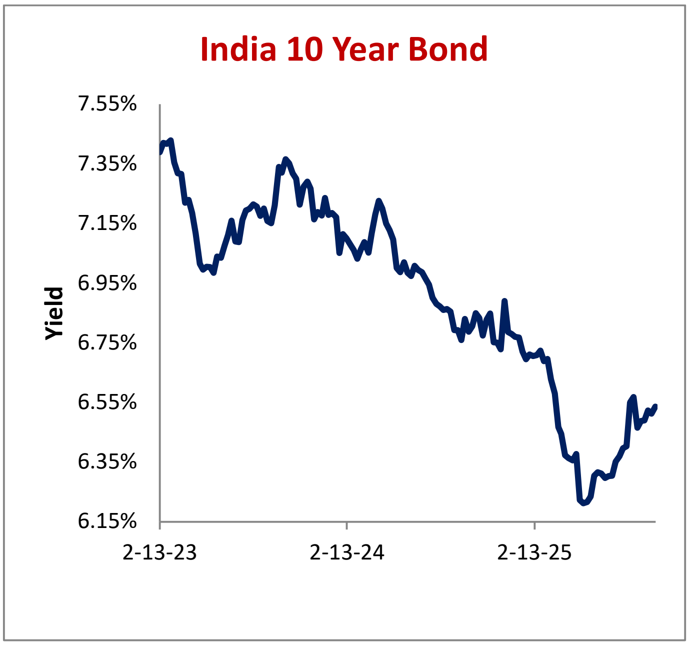
Week Ahead:

Key Events *[13th October-2025 to 17th October-2025]*	Date	Previous Number	Forecasted Number
Balance of Trade SEP	13-Oct-25	$102.33B	$96.0B
Germany Wholesale Prices MoM SEP	13-Oct-25	-0.60%	-0.10%
India Inflation Rate YoY SEP	13-Oct-25	2.07%	1.90%
U.K. Unemployment Rate AUG	14-Oct-25	4.70%	4.70%
ZEW Economic Sentiment Index OCT	14-Oct-25	37.3	36
Fed Chair Powell Speech	14-Oct-25		
China Inflation Rate YoY SEP	15-Oct-25	-0.40%	-0.20%
India Unemployment Rate SEP	15-Oct-25	5.10%	5.20%
India Balance of Trade SEP	15-Oct-25	$-26.49B	$ -23B
U.K. GDP MoM AUG	16-Oct-25	0.00%	0.10%

Week in Review:

Key Events *[06th October-2025 to 10th October-2025]*	Date	Previous Number	Actual Number
India HSBC Composite PMI Final SEP	06-Oct-25	63.2	61.0
India HSBC Services PMI Final SEP	06-Oct-25	62.9	60.9
Fed Miran Speech	07-Oct-25		
FOMC Minutes	08-Oct-25		
Fed Chair Powell Speech	09-Oct-25		
U.S. Michigan Consumer Sentiment Prel OCT	10-Oct-25	55.1	55





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Market Recap

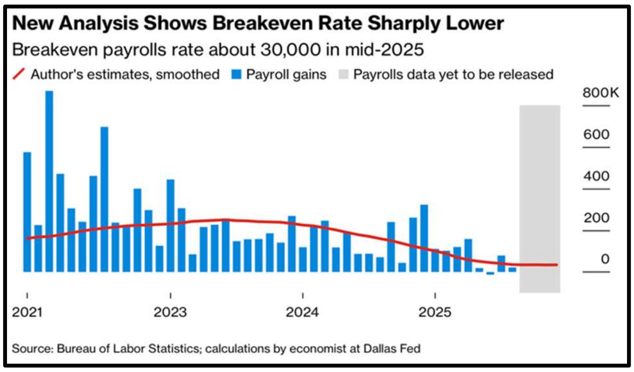
Domestic Market

Indian sovereign yields edged higher this week, with the 10-year benchmark closing at 6.54%, marking a second consecutive rise and its highest level since late September. The failed breach of the 6.49% technical threshold signalled waning demand at auctions and a pause in bullish momentum, even as the government successfully raised ₹280 billion through 15 and 40 year bonds. The yield curve mildly flattened as long-end securities firmed post-auction, reflecting confidence in reduced ultra-long supply, while the short-to-mid segment remained under pressure amid cautious duration positioning. OIS rates across tenors rose 2–4 bps, reinforcing market expectations that the RBI's policy pivot toward easing remains distant.

Globally, India is playing an equally nuanced game courting Europe for trade while mending fences with Washington**.** Modi's renewed dialogue with Trump and the EU's patience over India's Russia ties underscore how diplomacy and economics are increasingly intertwined.

U.S. Yields Slide as Risk-Off Sentiment Intensifies

U.S. Treasury yields dropped to multi-week lows this week as a potent mix of political, trade, and policy uncertainty reignited safe-haven demand. President Trump's threat of "massive" new tariffs on China, coupled with widening layoffs amid a deepening government shutdown, jolted risk sentiment and revived concerns about growth sustainability. The 10-year yield fell to around 4.05%, breaking out of its recent consolidation, while front-end yields declined as markets priced in deeper Fed easing. Futures now imply two more 25-bp cuts by year-end, with expectations rising for an extended easing cycle into 2026.



While several Fed officials including Waller and Miran advocated for faster policy accommodation, others, like Musalem, warned that overly aggressive cuts risk reigniting inflation. This divergence underscores a widening policy debate within the FOMC as data visibility erodes under the ongoing shutdown. Going forward, Treasuries are poised to remain well-supported as investors hedge against political volatility, fiscal dysfunction, and potential data distortion. However, the sharp repricing lower in yields may face pushback if inflation proves sticky or if geopolitical risks ease before the APEC summit.

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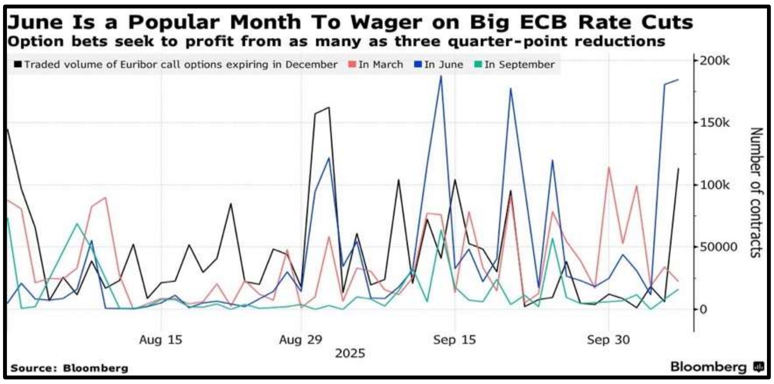
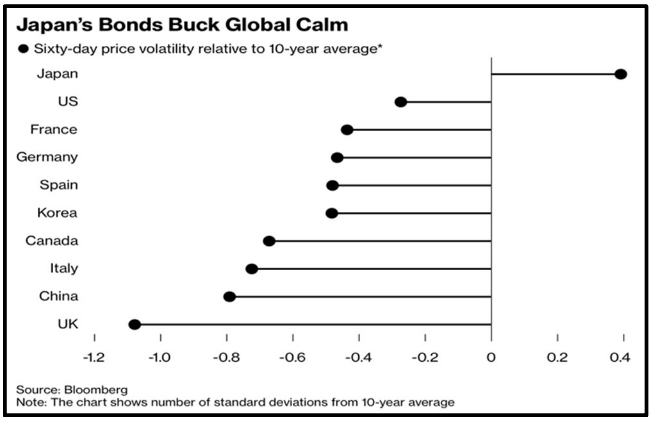
Fiscal Stress and ECB Policy Uncertainty Shape European Yields



European options markets are pricing in aggressive ECB rate cuts, even as policymakers signal the easing cycle is near its end. European bond markets remain fixated on fiscal pressures, with ultra-long French yields nearing 16-year highs amid political turbulence, while shorter-dated yields rose more modestly. The year's dominant 10s30s curve steepening trade has eased slightly but persists, as investors anticipate prolonged budgetary stress. Notably, the entire EU yield curve shifted downward compared with last week, reflecting moderate short-term optimism despite structural risks. In Germany, fiscal loosening and infrastructure spending are widening the long-end yield gap, while French debt faces headwinds from political deadlock and Dutch pension reforms reducing long-term demand. France's domestic crisis deepened as Sébastien Lecornu resigned hours after forming a cabinet, only to be reappointed days later, tasked with navigating a tight fiscal path and securing parliamentary approval amid obstructionist opposition

Political Turmoil and Inflation Pressures Jolt Japan's Bond Market



Japan's bond and currency markets endured a turbulent week as political upheaval and inflation dynamics converged to reshape investor expectations. The ruling LDP's coalition collapse under newly elected leader Sanae Takaichi just days after her victory deepened uncertainty over fiscal policy and the Bank of Japan's rate trajectory. The 10-year JGB yield hit a 17-year high of 1.7%, reflecting renewed bets on near-term tightening as the yen plunged to fresh one-year lows near 153 per dollar. Wholesale inflation remained firm at 2.7% YoY, underscoring persistent price pressures that could force the BOJ's hand despite policy paralysis. Takaichi's pro-growth stance and the risk of fiscal slippage added to sovereign risk premia, pushing long-end yields higher amid global steepening. Analysts warn that a weaker yen could exacerbate import-driven inflation, leaving policymakers cornered between credibility and growth. With leadership uncertainty clouding fiscal direction and intervention risks rising, Japan's fixed income market enters a period of heightened volatility one where political stability may matter as much as monetary policy in anchoring yields.

End of report

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