

**29<sup>th</sup> September 2025**
**Market Snapshot**

Key Overnight Interest Rates p.a.	Current Week	Previous Week	Change	Year change
MIBOR	5.64%	5.58%	0.06%	-1.01%
US SOFR	4.18%	4.14%	0.04%	-0.65%
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 25 Sep 2025	Thu 18 Sep 2025	Change
Injected (+)/ Absorbed (-) as on Thursday. [In Rs. Crs.]	-₹ 12,982.17	-₹ 72,774.17	₹59,792.00

\*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%	5.49%	-0.01%	-1.09%
India 6 Month T-Bill	5.58%	5.60%	-0.02%	-1.02%
India 5 Year Benchmark Yield	6.29%	6.25%	0.04%	-0.38%
India 10 Year Benchmark Yield	6.52%	6.49%	0.03%	-0.19%
US 10 Year Benchmark Yield	4.19%	4.13%	0.05%	0.40%
EU 10 Year Benchmark Yield	2.75%	2.74%	0.00%	0.56%
Japan 10 Year Benchmark Yield	1.66%	1.64%	0.02%	0.83%
UK 10 Year Benchmark Yield	4.76%	4.71%	0.05%	0.74%

Fund Type	Annualized Weekly Return (p.a.)
Liquid Funds	4.65%
Ultra Short Duration	6.78%
Short Duration	8.86%
GILT	3.16%

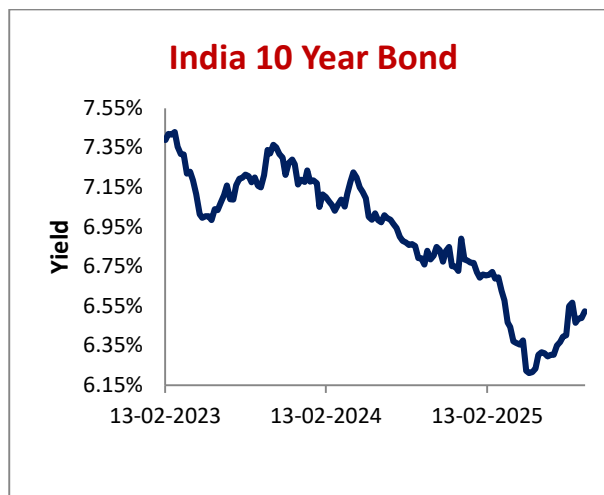
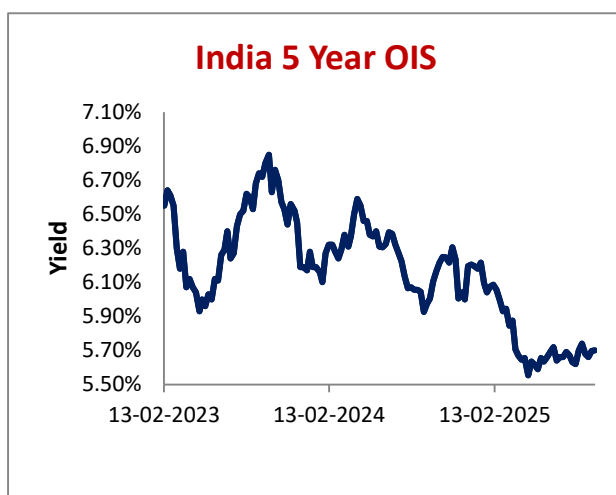
Weekly return as on Thursday is annualized to arrive at the above data set.

## Week Ahead:

Key Events [29th September-2025 to 03rd October-2025]	Date	Previous Number	Forecasted Number
India Industrial Production YoY AUG	29-Sep-25	3.50%	2.90%
India Manufacturing Production YoY AUG	29-Sep-25	5.40%	5.00%
China NBS Manufacturing PMI SEP	30-Sep-25	49.4	49.9
China Rating Dog Manufacturing PMI SEP	30-Sep-25	50.5	50.8
Germany Inflation Rate YoY Prel SEP	30-Sep-25	2.20%	2.30%
U.S. JOLTs Job Openings AUG	30-Sep-25	7.18M	7.10M
Japan Tankan Large Manufacturers Index Q3	01-Oct-25	13	15
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	49.0
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	49.0
RBI's Interest Rate Decision	01-Oct-25	5.50%	5.50%
Japan Consumer Confidence SEP	02-Oct-25	34.9	37.5
U.S. Non-Farm Payrolls SEP	03-Oct-25	22K	70K

## Week in Review:

Key Events [22nd September-2025 to 26th September-2025]	Date	Previous Number	Actual Number
Germany HCOB Manufacturing PMI Flash SEP	23-Sep-25	49.8	48.5
U.K. S&P Global Manufacturing PMI Flash SEP	23-Sep-25	47.0	46.2
U.K. S&P Global Services PMI Flash SEP	23-Sep-25	54.2	51.9
Germany Ifo Business Climate SEP	24-Sep-25	88.9	87.7
Germany GfK Consumer Confidence OCT	25-Sep-25	-23.6	-22.3
U.S. Durable Goods Orders MoM AUG	25-Sep-25	-2.70%	2.90%
U.S. GDP Growth Rate QoQ Final Q2	25-Sep-25	-0.60%	3.80%
U.S. Existing Home Sales AUG	25-Sep-25	4.01m	4.00m
U.S. Core PCE Price Index MoM AUG	26-Sep-25	0.20%	0.20%
U.S. Personal Income MoM AUG	26-Sep-25	0.40%	0.40%



## Market Recap

### Domestic Market

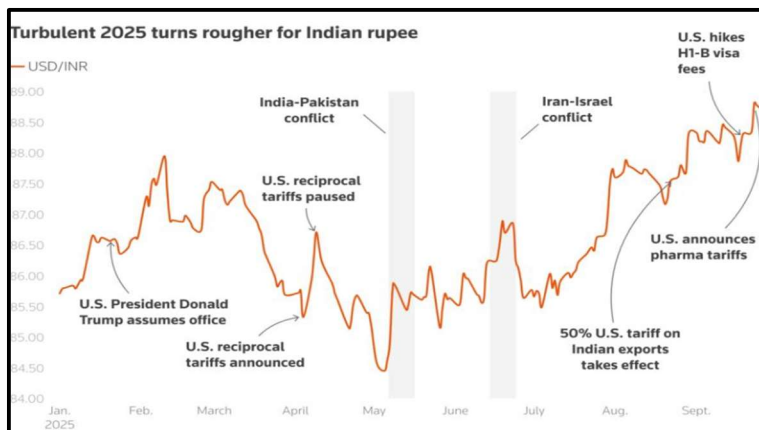
The government has recalibrated its borrowing mix, trimming ultra-long bond issuance in H2 FY26 to 29.5% (from 35% in H1) and shifting focus to 3-, 5-, and 10-year papers. Government bond issuances are debt instruments sold to raise funds, with different maturities influencing repayment timing, interest costs, and market yields. With H2 borrowings at ₹6.77 tn, full-year issuance stands at ₹14.7 tn, signalling fiscal prudence while easing duration risk.

This comes as markets await the RBI MPC (Oct 1). While most expect a hold at 5.50%, a minority, including SBI, sees room for a 25 bps cut given benign inflation. The decision will be pivotal for shaping yield-curve expectations.

High-frequency indicators show some moderation: September's composite PMI eased to 61.9 (Aug: 63.2), with manufacturing (58.5) and services (61.6) still firmly expansionary. Business confidence, buoyed by GST cuts and festive demand, offsets part of this softening.

Bond markets must digest heavy short- to mid-tenor supply, likely triggering selling pressure, while reduced long-end issuance may attract selective bids. The 10-yr benchmark yield hovers near 6.5%, but risks skew higher amid large auctions and uncertain demand.

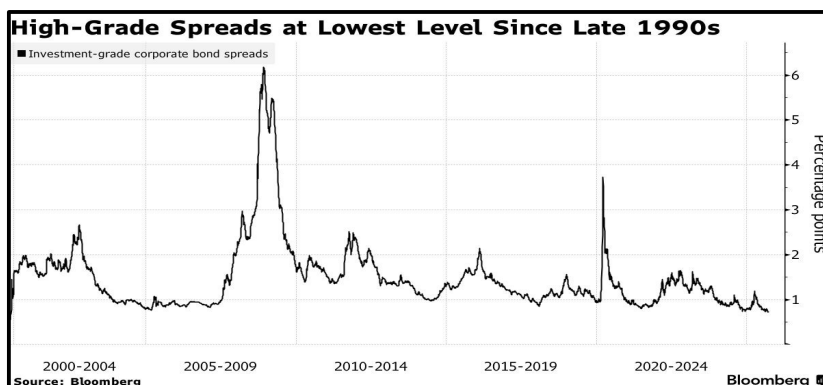
On the external front, the Rupee remains fragile around ₹88.7/\$, weighed by tariff-related outflows and a strong Dollar. The real effective exchange rate (REER) also weakened in August, indicating competitiveness gains tempered by capital flow stress.



## ***Wall Street's Comeback: Flows, Fed Bets, and Record Bond Issuance***

After a record \$78 billion exodus from U.S. equities in April–June, global investors have staged a dramatic U-turn, pouring \$58 billion into U.S. equity funds in just one week of September, the highest year to date. The S&P 500 is up 7% last quarter, outpacing Europe's STOXX since June and Japan's indices since late August, as traders price in 110 bps of Fed cuts by end-2026.

U.S. households now hold equities worth 68% of their wealth, a 75-year high, fueling fears of “shades of 2000.” Treasuries mirror this revival: 10-year yields rose to 4.19%, while 2-year yields hovered at 3.64%, steepening the 2s10s curve to 54 bps. Yet issuance is where momentum is strongest, \$190 bn+ of investment-grade debt priced in September, smashing records, with spreads compressing to 72 bps over Treasuries, the tightest since 1998. Oracle's \$18 bn deal drew \$88 bn in demand, underscoring insatiable appetite.



Macro data reinforced resilience: consumer spending rose 0.6% MoM in August, while PCE inflation held at 2.7% YoY headline / 2.9% core, keeping rate-cut bets alive. Still, swaps show less than 38 bps of easing across October–December meetings, down from 42 bps, as stronger labor and growth data reprice the terminal Fed funds rate to 3.25–3.5%.

Fed Governor Stephen Miran argues that U.S. monetary policy is structurally too tight, advocating aggressive cuts to the mid-2% range to prevent growth slowdown and labour market stress. In contrast, most Fed officials adopt a data-dependent, cautious approach, prioritizing inflation anchoring and favouring incremental easing. This divergence highlights a deeper debate: whether structural disinflation justifies faster cuts, or if maintaining restraint is necessary to avoid reigniting inflation expectations, adding uncertainty to market positioning.

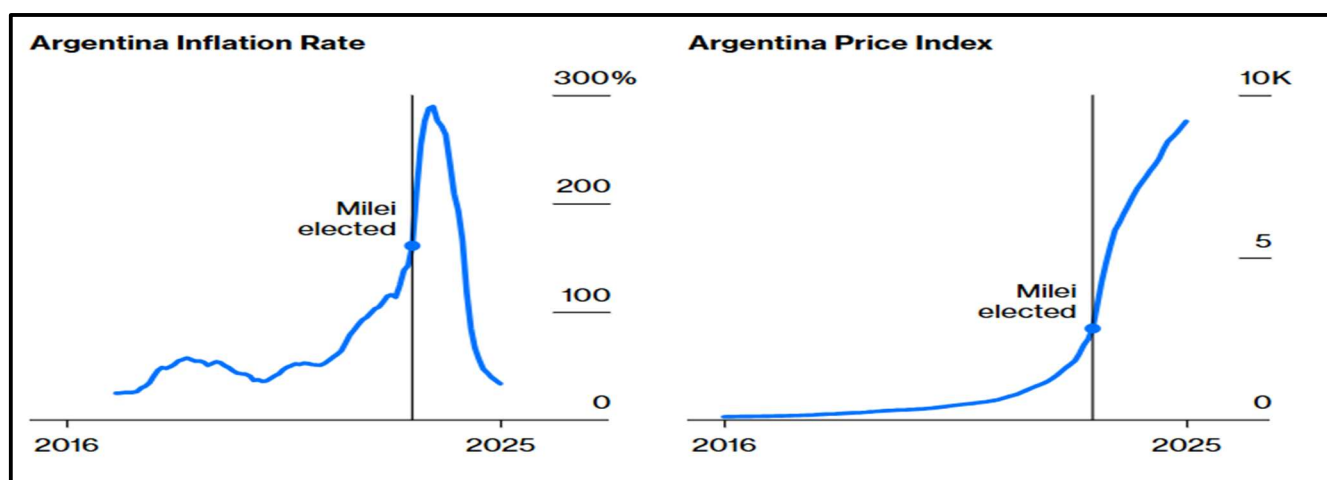
## ***Eurozone Bond Yields Track ECB's Steady Hand Amid U.S. Economic Crosswinds***

This week, eurozone government bond yields steadied as the ECB signaled it will keep interest rates on hold through 2026, with Germany's 10-year Bund hovering around 2.66%. U.S. Treasury yields, in contrast, edged slightly higher, reflecting stronger-than-expected economic data, including GDP growth revisions and modest inflation pressures. The spread between German and U.S. 10-year yields narrowed to its lowest level since April, underscoring the growing convergence of global bond markets. Ultra-long eurozone yields eased modestly despite concerns over rising debt and planned German fiscal expansion, while France's 30-year yield remained elevated amid political uncertainty. Debt issuance surged, with European sovereigns and corporates raising €208.9 billion in September, attracting strong demand with bid-to-cover ratios averaging 4.66x. The market reflects a delicate balance between central bank caution, fiscal ambitions, and investor demand, creating a rare window of stability and opportunity in fixed income.

## ***From Crisis to Confidence: How U.S. Support is Shaping Argentina's Financial Future***

Argentina is riding a precarious wave of optimism as U.S. intervention offers a lifeline to President Javier Milei amid political and economic turbulence. Following a devastating loss in Buenos Aires' provincial elections on September 7, markets panicked: the central bank burned through \$1.1 billion in reserves in just three days, the peso plunged, and investor confidence wavered. In a dramatic turnaround, U.S. Treasury Secretary Scott Bessent unveiled a \$20 billion swap line, potential purchases of Argentina's Dollar-denominated bonds, and standby credit from the Exchange Stabilization Fund—an unprecedented show of support that immediately sent Argentine bonds soaring 2–3 cents, lifted the peso by 4–5%, and nudged the S&P Merval index up 1–1.5%, extending 22<sup>nd</sup> September's near 8% rally.

Milei's economic record has tangible achievements: inflation has tumbled from 289% in 2024 to 34%, the government posted a fiscal surplus in 2024, and poverty fell to 31.6% in H1 2025, the lowest level since 2018. Yet the economy shows signs of strain: activity contracted for three consecutive months, unemployment remains elevated, and informal employment is rising faster than formal jobs. The October 26 midterms loom as the ultimate test. If Milei's La Libertad Avanza coalition, along with center-right allies, secures at least a one-third share of the Lower House, it can preserve reforms and maintain a presidential veto. Historical skepticism runs deep: investors remember repeated defaults since 2001 and the \$2.75 billion century bond debacle in 2017, making this U.S.-backed rally as much about confidence as cash.



Meanwhile, the IMF maintains pressure, demanding structural reforms including reserve rebuilding, flexible exchange rates, labor law overhauls, and privatizations. For now, Argentine bonds and the peso have staged a striking rebound, but sustainability hinges on politics: the U.S. lifeline buys time, not immunity, and Milei's electoral mandate will determine whether Argentina's financial revival endures or slips back into its familiar cycle of crises.

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**End of report**

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