

20th October 2025

Market Snapshot

Key Overnight Interest Rates p.a.	Current Week	Previous Week	Change	Year change
MIBOR	5.55%	5.66%	-0.11%	-0.95%
US SOFR	4.30%	4.13%	0.17%	-0.56%
EU ESTR	1.93%	1.93%	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 16 Oct 2025	Thu 09 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%	5.44%	0.00%	-1.02%
India 6 Month T-Bill	5.55%	5.54%	0.01%	-1.01%
India 5 Year Benchmark Yield	6.13%	6.14%	-0.02%	-0.57%
India 10 Year Benchmark Yield	6.51%	6.54%	-0.02%	-0.26%
US 10 Year Benchmark Yield	4.01%	4.05%	-0.04%	-0.09%
EU 10 Year Benchmark Yield	2.58%	2.64%	-0.06%	0.39%
Japan 10 Year Benchmark Yield	1.63%	1.69%	-0.06%	0.66%
UK 10 Year Benchmark Yield	4.53%	4.68%	-0.15%	0.47%

Fund Type	Annualized Weekly Return (p.a.)
Liquid Funds	4.59%
Ultra Short Duration	5.34%
Short Duration	7.46%
GILT	7.97%

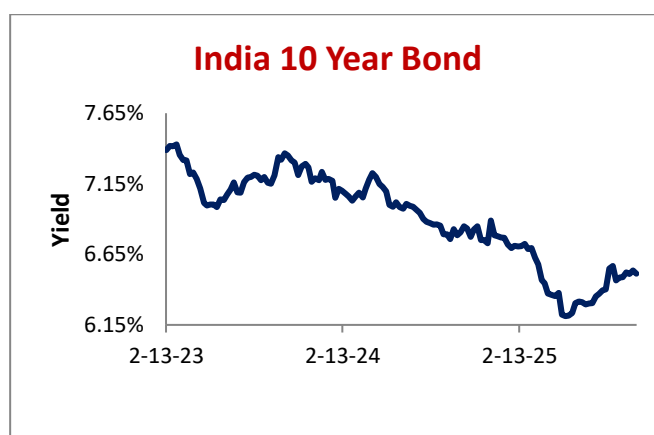
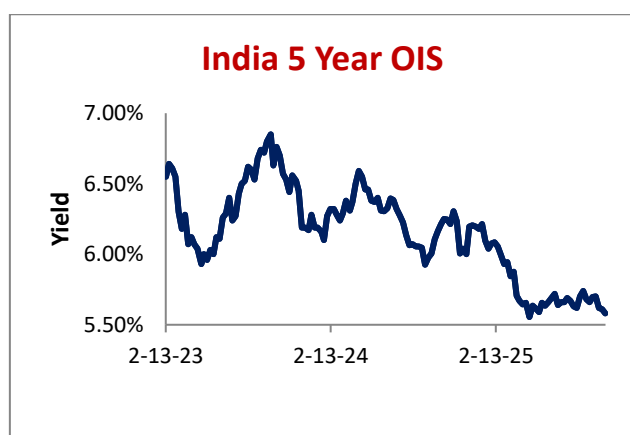
Weekly return as on Thursday is annualized to arrive at the above data set.

Week Ahead:

Key Events [20th October-2025 to 24th October-2025]	Date	Previous Number	Forecasted Number
China GDP Growth Rate YoY Q3	20-Oct-25	5.20%	4.90%
Industrial Production YoY SEP	20-Oct-25	5.20%	5.10%
China Retail Sales YoY SEP	20-Oct-25	3.40%	3.00%
Japan Balance of Trade SEP	22-Oct-25	¥-242.5B	¥-170.0B
U.K. Inflation Rate YoY SEP	22-Oct-25	3.80%	4.00%
U.S. Existing Home Sales SEP	23-Oct-25	4.0 Mn	3.9 Mn
Japan Inflation Rate YoY SEP	24-Oct-25	2.70%	2.90%
U.K. Retail Sales MoM SEP	24-Oct-25	0.50%	-0.10%
Germany HCOB Manufacturing PMI Flash OCT	24-Oct-25	49.5	49
U.K. S&P Global Manufacturing PMI Flash OCT	24-Oct-25	46.20	46.70
U.K. S&P Global Services PMI Flash OCT	24-Oct-25	50.8	51.1
U.S. Core Inflation Rate YoY SE	24-Oct-25	3.10%	3.00%
U.S. Inflation Rate YoY SEP	24-Oct-25	2.90%	3.00%

Week in Review:

Key Events [06th October-2025 to 10th October-2025]	Date	Previous Number	Actual Number
Balance of Trade SEP	13-Oct-25	\$102.33B	\$90.45B
Germany Wholesale Prices MoM SEP	13-Oct-25	-0.60%	0.20%
India Inflation Rate YoY SEP	13-Oct-25	2.07%	1.54%
U.K. Unemployment Rate AUG	14-Oct-25	4.70%	4.80%
ZEW Economic Sentiment Index OCT	14-Oct-25	37.3	39.3
Fed Chair Powell Speech	14-Oct-25		
China Inflation Rate YoY SEP	15-Oct-25	-0.40%	-0.30%
India Unemployment Rate SEP	15-Oct-25	5.10%	5.20%
India Balance of Trade SEP	15-Oct-25	\$-26.49B	\$-32.15B
U.K. GDP MoM AUG	16-Oct-25	-0.1%	0.10%

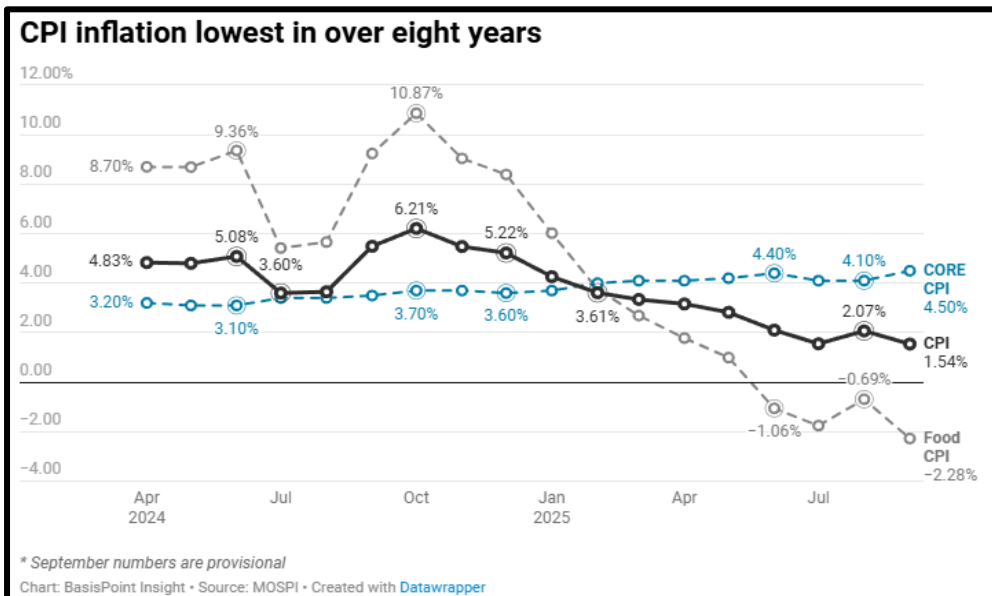


Market Recap

Domestic Market

Neutrality & Flexibility

The Indian fixed income market begins a truncated week, but the start has been on the backdrop of two major events- the aggressive FX defence by the central bank which gave major relief to Asia's worst performing currency & the CPI which once again was below the central bank's 2-6% target range.



Before we get into the CPI, it is important to understand the thought process of the members of the monetary policy committee. The two members in favour of changing the stance from 'neutral' to 'accommodative' embody the fight with uncertainties on the global front. Dr Nagesh Kumar & Prof. Ram Singh provided different commentaries

than other members who were slightly more conservative and not fully convinced if further space existed due to the surprisingly benign inflation. Both seemed a bit worried on the impact of tariffs on MSMEs and confident on the conditions of benign inflation prevailing but cautious enough not to go aggressive & await the full transmission of the front-loaded cuts & liquidity support along with the government's fiscal support.

The call for remaining neutral was well highlighted by Indranil Bhattacharyya and team 'transitory' seemed to have found some place within the MPC- the benign inflation driven due to abundant food supplies, favourable monsoon may be quick to reverse and hence caution is needed and so is neutrality. Neutrality allows MPC to conduct two-way market operations consistent with the two-way volatility facing growth & inflation. Overall, the MPC seems responsible enough to support growth when needed yet not carried away by headline figures. There may likely be another rate cut this year as the optics of a near zero inflation pushes members to ease but the unfavourable statistical base effect will start playing out in the numbers starting November. We currently also expect oil prices to remain well within the current ranges and hence should help MPC with further certainty on prices. The flexibility brought by Neutrality is the key theme for the MPC to focus on in the coming months.

US Long End Yields Falls

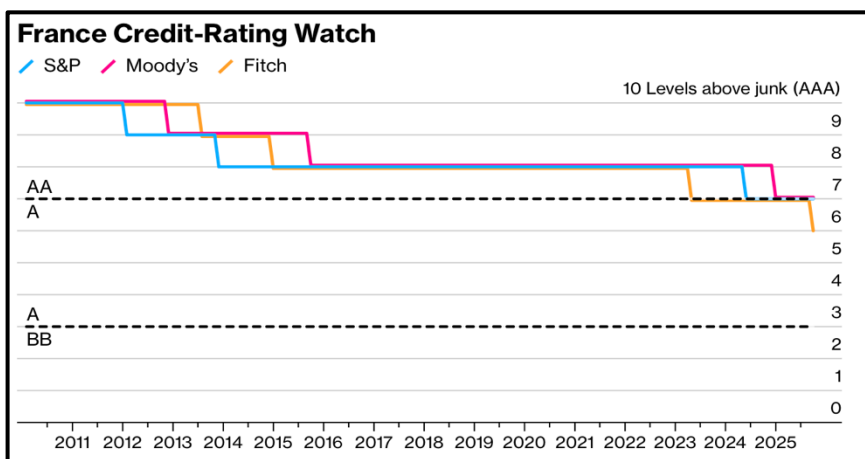
U.S. 10 year treasury yield sank below 4% last week, marking a sharp repricing of policy expectations as renewed regional bank stress and a prolonged government shutdown fueled safe-haven demand. With key data releases delayed, markets have turned speculative, extending bets on aggressive Fed easing, now pricing nearly 50 bps of additional cuts by year-end. Convexity-driven buying and short gamma positioning amplified the downward move once 4% on the 10-year was breached, reinforcing its role as both a technical and psychological anchor.



The yield curve remains inverted in the medium segment most notably between the 2-year and 7-year maturities reflecting skepticism about growth resilience and the sustainability of policy normalization. Short-end yields remain tethered to policy expectations, while the long end is stabilizing on safe-haven flows and expectations of slower issuance. This dynamic inversion highlights a market transitioning from trading inflation risk to pricing financial fragility. The narrative has shifted decisively: it's no longer about whether the Fed will ease, but how deep the cuts must be to restore curve symmetry and liquidity balance.

France's Rating Cut Deepens Fiscal Strains as Markets Eye Budget Test Ahead

French bonds faced renewed pressure after S&P Global Ratings unexpectedly cut the nation's sovereign rating to A+ from AA-, citing stalled fiscal reforms and deepening political gridlock. The downgrade, France's second loss of double-A status in as many months lifted 10-year yields to 3.39%, widening spreads versus Bunds before later retracing on safe-haven flows tied



to U.S. bank concerns. Prime Minister Sébastien Lecornu's survival of no-confidence votes, aided by suspending Macron's pension overhaul, calmed markets but underlined fiscal slippage risks that credit agencies view as structural. Moody's and S&P reviews over the coming weeks could trigger forced sales by AA-only funds, a risk amplified by France's €3 trillion debt load and heavy index weightings. While the stable outlook tempers near-term downgrade fears, market focus now shifts to whether Paris can deliver a credible 2026 budget through its fractured parliament, a test that will define French spreads and investor confidence into year-end.