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Weekly Fixed Income Bulletin

02nd November 2025

Market Snapshot

Key Overnight Interest Rates p.a.	Current Week	Previous Week	Change	Year change
MIBOR	5.69%	5.52%	0.17%	-0.81%
US SOFR	4.04%	4.24%	-0.20%	-0.86%
EU ESTR	1.93%	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 30 Oct 2025	Thu 23 Oct 2025	Change
Injected (+)/ Absorbed (-) as on Thursday. [In Rs. Crs.]	-₹ 8,475.60	₹ 2,645.79	₹ -11,121.39

**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%	-1.02%
India 6 Month T-Bill	5.60%	5.60%	0.00%	-1.03%
India 5 Year Benchmark Yield	6.18%	6.15%	0.03%	-0.60%
India 10 Year Benchmark Yield	6.53%	6.54%	0.00%	-0.31%
US 10 Year Benchmark Yield	4.10%	4.00%	0.10%	-0.18%
EU 10 Year Benchmark Yield	2.64%	2.62%	0.01%	0.25%
Japan 10 Year Benchmark Yield	1.66%	1.66%	0.00%	0.72%
UK 10 Year Benchmark Yield	4.41%	4.44%	-0.03%	-0.04%

Fund Type	Annualized Weekly Return (p.a.)
Liquid Funds	6.16%
Ultra Short Duration	6.83%
Short Duration	6.10%
GILT	-10.18%

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

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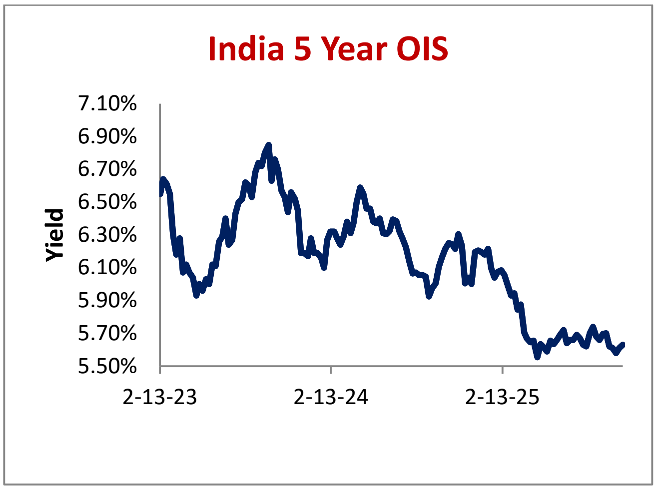
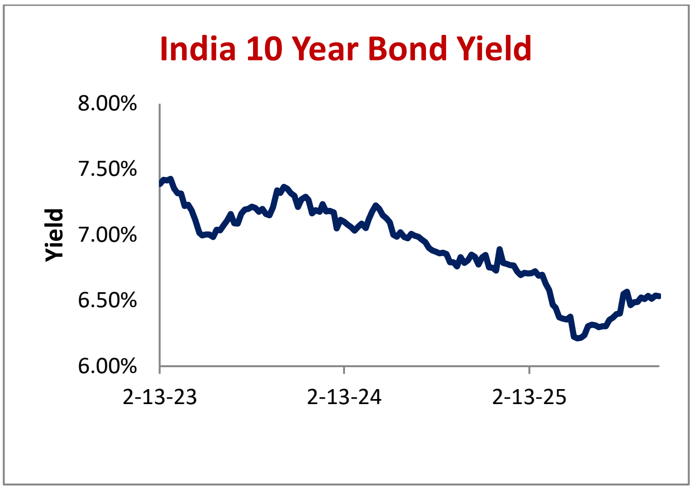
Week Ahead:

Key Events *[03nd November-2025 to 07th November-2025]*	Date	Previous Number	Forecasted Number
China RatingDog Manufacturing PMI OCT	03-Nov-25	51.2	50.8
U.S. ISM Manufacturing PMI OCT	03-Nov-25	49.1	49.5
U.S. ISM Services PMI OCT	05-Nov-25	50.0	50.8
BoE Interest Rate Decision	06-Nov-25	4.00%	4.00%
China Balance of Trade OCT	07-Nov-25	$90.45B	$97.0B
Germany Balance of Trade SEP	07-Nov-25	€17.2B	€15.6B
U.S. Michigan Consumer Sentiment Prel NOV	07-Nov-25	53.6	53.0

Week in Review:

Key Events *[27th October-2025 to 31st October-2025]*	Date	Previous Number	Actual Number
Germany Ifo Business Climate OCT	27-Oct-25	87.7	88.4
Germany GfK Consumer Confidence NOV	28-Oct-25	-22.5	-24.1
India Industrial Production YoY SEP	28-Oct-25	4.10%	4.00%
India Manufacturing Production YoY SEP	28-Oct-25	3.80%	4.80%
Japan Consumer Confidence OCT	29-Oct-25	35.3	35.8
Fed Interest Rate Decision	29-Oct-25	4.25%	4.00%
BoJ Interest Rate Decision	30-Oct-25	0.50%	0.50%
Germany GDP Growth Rate QoQ Flash Q3	30-Oct-25	-0.20%	0.00%
EU GDP Growth Rate QoQ Flash Q3	30-Oct-25	0.20%	0.10%
EU Unemployment Rate SEP	30-Oct-25	6.30%	6.30%
Germany Inflation Rate YoY Prel OCT	30-Oct-25	2.40%	2.30%
ECB Interest Rate Decision	30-Oct-25	2.15%	2.15%
Japan Unemployment Rate SEP	31-Oct-25	2.60%	2.60%



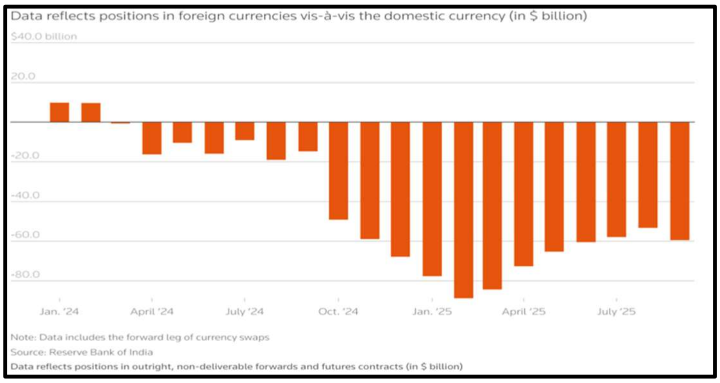


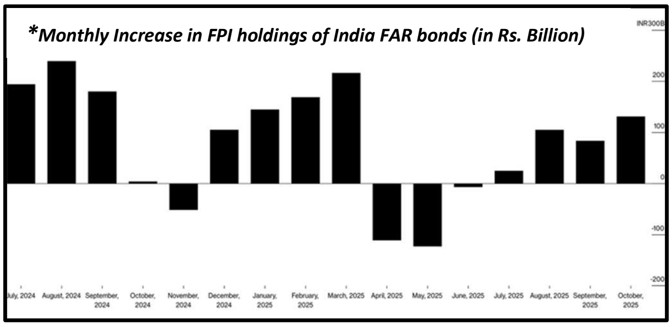
Market Recap

RBI Tightens Its Grip as Bonds Rally and Rupee Defense Deepens

It was a week of subtle drama in Indian bond markets. The RBI's sudden rejection of all bids for the ₹11,000 crore 7-year 2032 paper caught traders off guard, sending a clear signal that the central bank wouldn't tolerate borrowing costs drifting higher. The 10-year benchmark yield, which flirted with 6.59% intraday, slipped to 6.53% by close, led by a rally in the curve's belly. The message was unmistakable: the RBI, not the market, sets the tone.

Meanwhile, the central bank's currency defense grew more pronounced. The RBI's short dollar forward positions jumped $6 billion in September to $59.4 billion the first rise in seven months underscoring its determination to stabilize the rupee, which has been hovering near ₹89/$. Despite Fed hawkishness, the RBI's calibrated interventions limited volatility and quietly restored investor confidence.





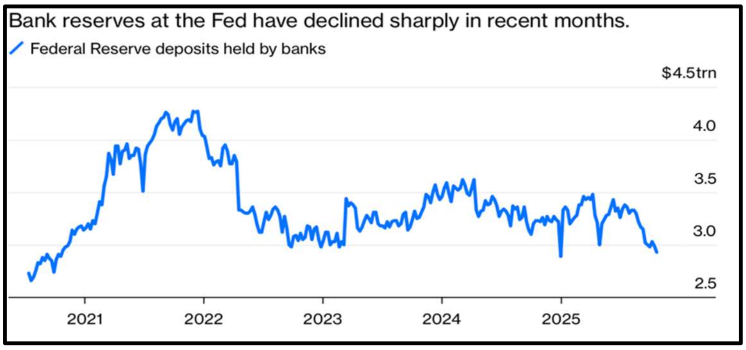
Foreign investors took notice. FPIs poured ₹13,397 crore into Indian bonds in October under the Fully Accessible Route the strongest inflow in seven months lured by India's widening 10-year yield spread over the US, now at 245 bps. Record FPI holdings of ₹3.17 lakh crore highlighted India's growing appeal as a fixed income destination.

Still, liquidity tightened sharply, with a system deficit of ₹111 billion forcing traders to speculate on potential RBI bond purchases or FX swaps to keep funding smooth. As markets brace for the December policy, the 10-year yield looks poised to test 6.45–6.50% if the RBI keeps its grip firm. In a landscape shaped by global headwinds and domestic resolve, Indian bonds are quietly telling a story of resilience one orchestrated by a central bank that knows exactly when to pull the strings.

Fed Fractures Deepen as Market Reprices December Easing

The Federal Reserve's policy rift widened this week, with a rare public split among officials clouding the outlook for December's meeting. Despite a second consecutive 25 bps rate cut bringing the benchmark to 3.75%-4.00%, hawkish voices: notably Dallas Fed's Lorie Logan and Cleveland's Beth Hammack argued policy is already near neutral and further cuts risk entrenching inflation. In contrast, Governor Christopher Waller urged continued easing, citing rising labour market fragility. Chair Jerome Powell struck a cautious middle ground, warning that "a December cut is far from foregone" amid data gaps caused by the ongoing government shutdown.

Markets swiftly recalibrated: the implied probability of another cut slid to 65% from 90% pre-meeting, pushing 10-year Treasury yields to 4.10%, their sharpest weekly rise since April. The two-year yield edged to 3.60%, steepening the curve to +50 bps as investors priced out aggressive easing. Meanwhile, the Fed's decision to halt quantitative tightening, reinvesting



$15B/month in T-bills underscored concern over liquidity strains in the $4T repo market, while SOFR now trades near fed funds rate.

The narrative emerging is one of a central bank divided between those fearing a hard landing in jobs and those unwilling to jeopardize credibility on inflation. For bond markets, this evolving discord means volatility at the front end, resilience in long duration, and a policy path increasingly dictated by private data in the absence of government releases.

BOJ's Balancing Act: Dovish Hold Sparks Yen Drama and Bond Rally

The Bank of Japan maintained its policy rate at 0.50% this week in a 7–2 decision, underscoring Governor Kazuo Ueda's preference for gradual normalization despite inflation staying above target. While Ueda noted that the likelihood of the BOJ's baseline scenario materializing has increased, a signal often preceding a hike his dovish tone led markets to scale back expectations, with overnight index swaps pricing under 50% odds of a move by December. The decision anchored the short end of the curve, reflected in a robust two-year JGB auction where the bid-to-cover ratio jumped to 4.35 and yields eased to 0.91%, highlighting strong demand for carry amid limited near-term volatility. However, the yen's persistent weakness, despite Finance Minister Satsuki Katayama's verbal intervention, exposes the policy divergence with the U.S. Federal Reserve, which has begun cutting rates. Meanwhile, fiscal expansion under Prime Minister Takaichi potentially financed through new bond issuance adds upward pressure to long-end yields. The week's developments reaffirm that Japan's fixed income markets are navigating a complex equilibrium between a cautious central bank, FX fragility, and mounting fiscal risks, keeping investors finely attuned to yen movements and BOJ signaling.

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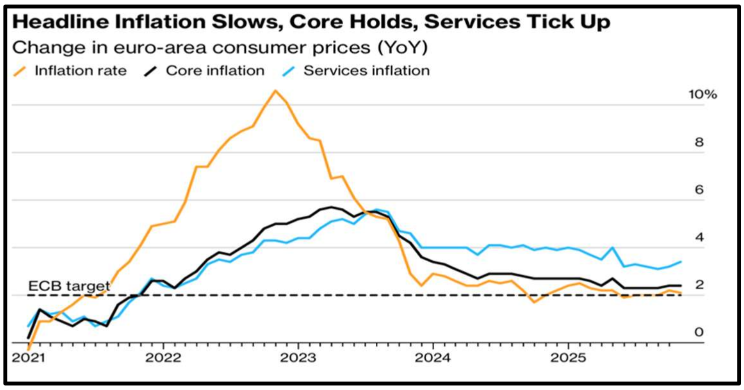
Eurozone Bonds Edge Higher as ECB Bets on Stability Over Stimulus



Eurozone bond yields rose for a second straight week after the Fed's hawkish tone contrasted with the ECB's steady stance. The ECB left rates unchanged at 2%, reaffirming that policy remains "in a good place" as inflation hovered at 2.1% and Q3 GDP beat expectations with 0.2% growth. Germany's 10-year Bund yield edged up to 2.65%, while traders trimmed bets on further ECB cuts, now pricing only a 50% chance of easing by September. Policymakers struck a balanced tone, emphasizing patience and data dependence ahead of December forecasts. Improving PMIs, easing trade tensions, and stable inflation have reinforced Frankfurt's confidence in holding steady, signaling that the rate plateau may extend well into 2026 despite Fed-driven global volatility.

End of report

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