Weekly Fixed Income Bulletin

ALMUS risk consulting

8th December 2025

Market Snapshot

Key Overnight Interest Rates p.a.	Current Week	Previous Week	Change	Year change
MIBOR	5.36%	5.59%	-0.23%	-1.18%
US SOFR	3.92%	4.05%	-0.13%	-0.68%
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 04 Dec 2025	Thu 27 Nov 2025	Change
Injected (+)/ Absorbed (-) as on Thursday. [In Rs. Crs.]	-₹ 2,66,257.83	-₹ 1,26,829.29	₹ -1,39,428.54

**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	5.31%	5.36%	-0.05%	-1.08%
India 6 Month T-Bill	5.48%	5.53%	-0.05%	-1.08%
India 5 Year Benchmark Yield	6.18%	6.22%	-0.04%	-0.49%
India 10 Year Benchmark Yield	6.52%	6.55%	-0.03%	-0.22%
US 10 Year Benchmark Yield	4.14%	4.02%	0.12%	-0.01%
EU 10 Year Benchmark Yield	2.80%	2.69%	0.11%	0.69%
Japan 10 Year Benchmark Yield	1.95%	1.81%	0.14%	0.90%
UK 10 Year Benchmark Yield	4.48%	4.44%	0.04%	0.20%

Fund Type	Annualized Weekly Return (p.a.)
Liquid Funds	5.87%
Ultra Short Duration	5.68%
Short Duration	4.38%
GILT	14.10%

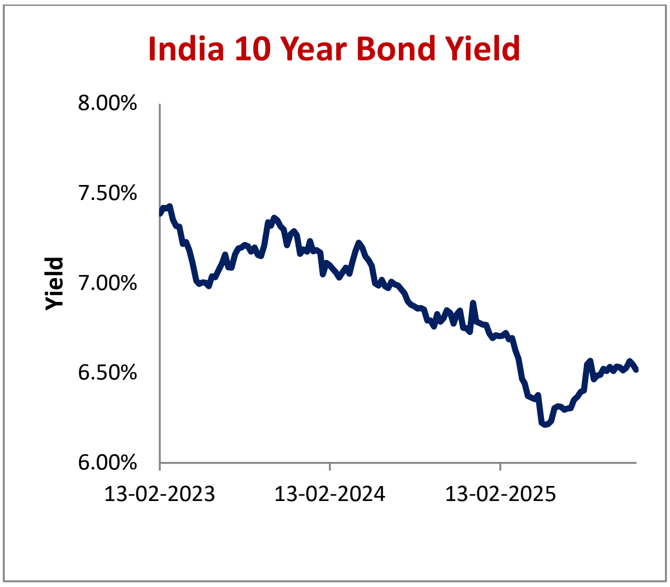
Weekly return as on Thursday is annualized to arrive at the above data set.

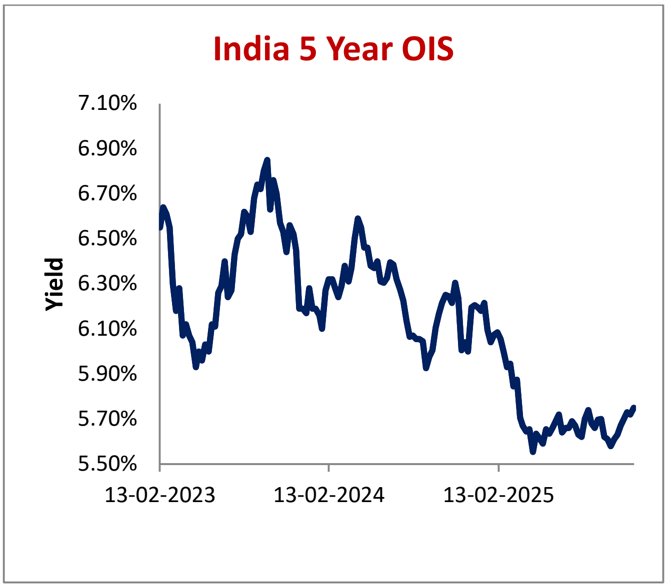
Week Ahead:

Key Events [08st December-2025 to 12th December-2025]	Date	Previous Number	Forecasted Number
China Balance of Trade NOV	08-Dec-25	$90.07B	$100.2B
Germany Balance of Trade OCT	09-Dec-25	€15.3B	€15.0B
U.S. JOLTs Job Openings OCT	09-Dec-25	-	7.0M
U.S. JOLTs Job Openings SEP	09-Dec-25	7.23M	7.2M
China Inflation Rate YoY NOV	10-Dec-25	0.20%	0.90%
Fed Interest Rate Decision	11-Dec-25	4.00%	3.75%
Fed Press Conference	11-Dec-25		
U.K. GDP MoM OCT	12-Dec-25	-0.10%	0.10%
India Inflation Rate YoY NOV	12-Dec-25	0.25%	0.60%

Week in Review:

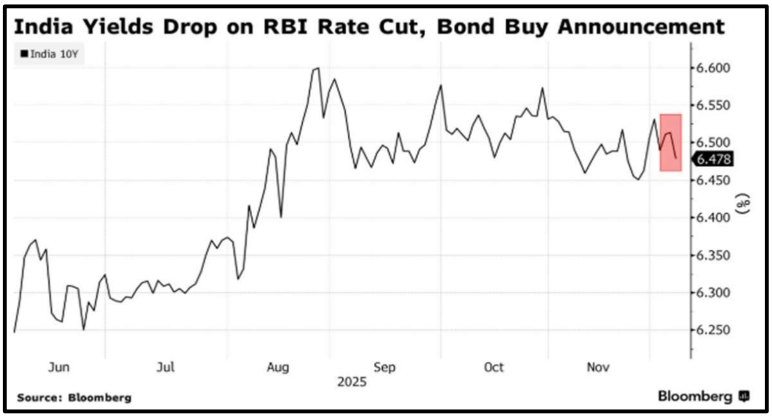
Key Events [01st December-2025 to 05th December-2025]	Date	Previous Number	Actual Number
China RatingDog Manufacturing PMI NOV	01-Dec-25	50.60	49.90
India Industrial Production YoY OCT	01-Dec-25	4.60%	0.4%
India Manufacturing Production YoY OCT	01-Dec-25	5.60%	1.8%
U.S. ISM Manufacturing PMI NOV	01-Dec-25	48.7	48.2
Japan Consumer Confidence NOV	02-Dec-25	35.8	37.5
Euro Inflation Rate YoY Flash NOV	02-Dec-25	2.10%	2.20%
U.S. ISM Services PMI NOV	03-Dec-25	52.4	52.6
India RBI Interest Rate Decision	05-Dec-25	5.50%	5.25%
U.S. Core PCE Price Index MoM SEP	05-Dec-25	0.20%	0.20%
U.S. Michigan Consumer Sentiment Prel DEC	05-Dec-25	51.00	51.00





Market Recap

RBI: A Small Cut Doing Big Signalling Work



This policy wasn't just a 25 bps cut to 5.25%; it was the Governor telling the market, *"don't close your playbooks yet."*As we highlighted in last week's bulletin, the macro backdrop had already pointed to a 25 bps reduction and the RBI delivered exactly that. But more importantly, the communication signalled that the easing cycle isn't finished. With 125 bps of cumulative cuts since February, Governor Malhotra kept the forward-easing channel open, subtly nudging lenders to transmit rather than hold back and wait.That signalling works because the macro mix is rare: inflation scraping at 0.2–0.3%, growth running above 8%, but nominal data softening at the margin. Ultra-low inflation is no longer a victory lap; it's the reason real rates are uncomfortably high. Instead of treating the rupee's slip past 90/$ as a reason to blink, the RBI doubled down on its domestic mandate. Currency volatility is tolerated, growth and inflation priorities are not.

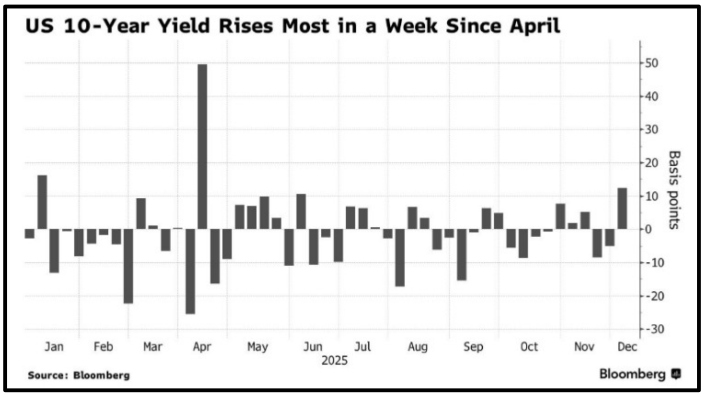
The liquidity actions were the real message: ₹1 tn in OMOs and a $5 bn swap translate to roughly ₹1.45 tn of durable liquidity. Not a FX defence package, but curve engineering aimed squarely at transmission. Markets caught on instantly, the 10-year gravitated toward 6.45%, and issuers rushed to lock duration, with PSU supply already stacking up near ₹240 bn. At the short end, VRRR operations keep discipline in place so easing expresses itself at the long end rather than through a soft call rate.

From here, data decides the pace. If high-frequency indicators, PMI, IIP, power demand continue to soften, April becomes a live cut window. If they stabilise, the liquidity already injected may do enough heavy lifting without another rate move. For fixed income, the near-term setup favors a controlled bull flattening: a 5–10 bps drift lower in the 10Y toward 6.40% and further spread compression in high-quality AAA supply unless inflation surprises higher or FX volatility becomes disorderly.

US Treasurys Reprice Higher: Easing Cycle Questioned, Curve Risks Rise

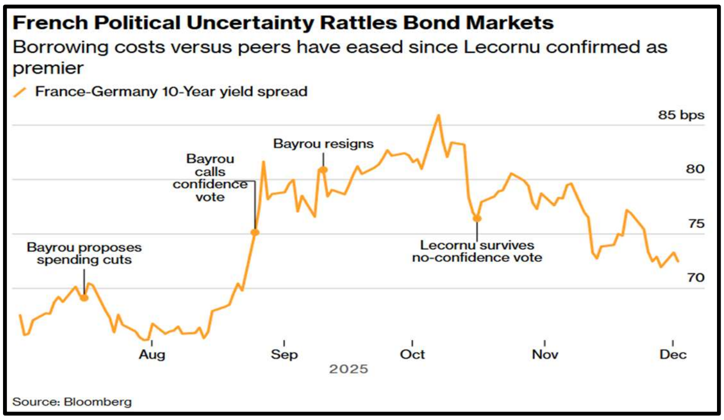
U.S. Treasuries weakened over the week, with the 10-year yield climbing to 4.14% and posting its biggest weekly rise since April, as traders priced in a December rate cut but braced for hawkish forward guidance. The market narrative shifted from simply expecting easing to questioning the depth of the cycle amid sticky inflation and a divided Fed. Core PCE held at 0.2% MoM and 2.8% YoY, offering neither relief nor escalation, while consumer sentiment improved and inflation expectations eased ironically tightening financial conditions at the long-end as growth worries softened.

Curve dynamics were muted, but the broader thesis remains for steepening in 2026, driven by Fed easing against structurally higher term premia. Investor positioning reflects caution, with JPMorgan's survey showing reduced longs, while futures activity indicates active hedging around the policy path and incoming delayed data.



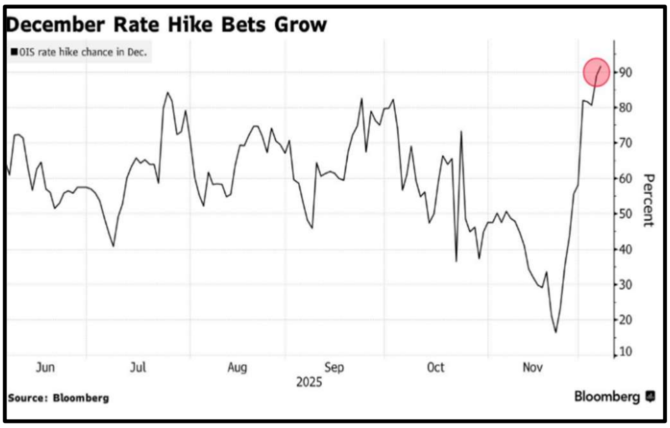
Political risk is now intertwined with policy risk, markets are gaming out scenarios under a potential Hassett chair, with positioning favouring steepeners, and the possibility that long-tenor yields rise if rate cuts are seen as policy-driven rather than data-driven. Meanwhile, macro uncertainty (job market weakness vs corporate hesitancy vs tariff noise) keeps sentiment fragile, which has stalled the typical transmission of lower rates into the real economy. In short, the Fed cuts are expected, but conviction on follow-through is thin, keeping USTs volatile rather than bullish.

Euro Curve Steepens as Political Risk Meets Dovish Undercurrents



This week's European rates sell-off was dominated by ultra-long bonds, led by record-high JGB yields that spilled over into Bunds and OATs, driving a powerful curve steepening. Political noise compounded the pressure: Germany's narrow pension bill passage underscored fiscal fragility, while France's fraught budget battle kept risk premia elevated despite small spread compression. Yet valuations are beginning to draw interest, with some desks flagging Bunds as attractive after the steep repricing. The macro backdrop is turning more dovish ECB speakers highlighted rising risks of inflation undershooting 2%, reinforcing optionality for further easing even as political and supply risks keep term premiums elevated.

Tokyo's Debt Machine Runs Into Market Discipline



Japan's political and monetary nexus tightened this week as PM Takaichi's fiscal push collided with bond vigilantes. Long-end JGB yields surged to 18-year highs, driven less by capitulation selling and more by a striking absence of buyers, just as net supply is set to jump by ¥11 trillion in 2026. The weak yen and sliding bond prices triggered a clear shift in government rhetoric from fiscal expansionism to signalling restraint and a tacit acceptance of monetary tightening.

Market psychology flipped after Bloomberg reports that the BOJ is poised to raise rates to 0.75% in December, with swaps now pricing a near-certain hike and high probability of follow-through in early 2026. While the immediate reaction saw a bear-steepening of the curve with super-long tenors repricing aggressively ahead of the front-end recent trading has seen partial normalization as expectations for sustained tightening began anchoring short maturities, leading to a quieter flattening impulse at the very long end. The result isn't a clean direction but rather a curve in transition: steepening on supply shock and term-premium repricing, moderating as markets internalise a credible policy-normalisation path.

Big global money (Vanguard, Fidelity) remains structurally underweight JGBs, arguing the market continues to underestimate both Japan's neutral rate and the cumulative tightening needed to tame inflation. Meanwhile, yen shorts persist, though conviction is muddied by uncertainty over positioning data. In essence, Japan is stepping into a regime shift: fiscal ambition colliding with funding realities, rate normalization arriving faster than expected, and investor faith hinging on transparency, forward guidance, and credible issuance signals.

End of report

Prepared By:
Swaraj Rajagopal
Manager – Treasury Market

Prikshit Chanana
Analyst – Treasury Market