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Weekly Fixed Income Bulletin

15th December 2025

Market Snapshot

Key Overnight Interest Rates p.a.	Current Week	Previous Week	Change	Year change
MIBOR	5.24%	5.36%	-0.12%	-1.52%
US SOFR	3.66%	3.92%	-0.26%	-0.96%
EU ESTR	1.93%	1.93%	0.00%	-1.23%
UK SONIA	3.98%	3.97%	0.01%	-0.73%

**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 11 Dec 2025	Thu 04 Nov 2025	Change
Injected (+)/ Absorbed (-) as on Thursday. [In Rs. Crs.]	-₹ 1,83,719.19	-₹ 2,66,257.83	₹ 82,538.64

**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	5.30%	5.31%	-0.01%	-1.17%
India 6 Month T-Bill	5.49%	5.48%	0.01%	-1.14%
India 5 Year Benchmark Yield	6.32%	6.18%	0.13%	-0.35%
India 10 Year Benchmark Yield	6.59%	6.52%	0.07%	-0.14%
US 10 Year Benchmark Yield	4.20%	4.14%	0.06%	-0.13%
EU 10 Year Benchmark Yield	2.86%	2.80%	0.06%	0.66%
Japan 10 Year Benchmark Yield	1.95%	1.95%	0.00%	0.90%
UK 10 Year Benchmark Yield	4.52%	4.48%	0.04%	0.15%

Fund Type	Annualized Weekly Return (p.a.)
Liquid Funds	4.79%
Ultra Short Duration	2.20%
Short Duration	-3.57%
GILT	-35.49%

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

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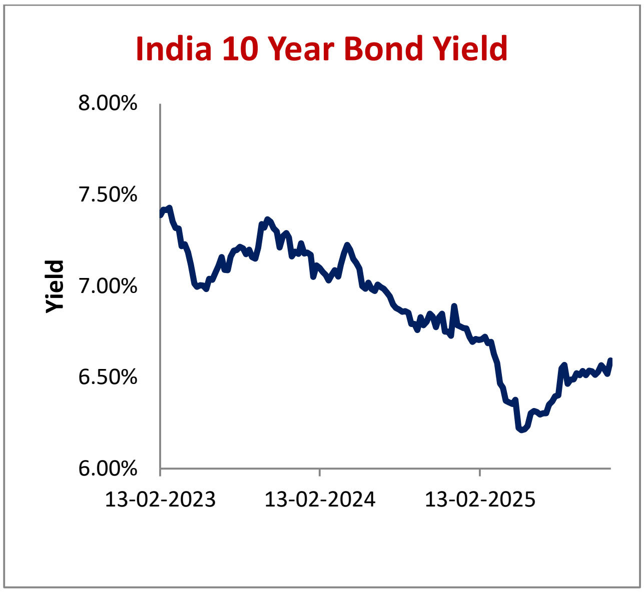
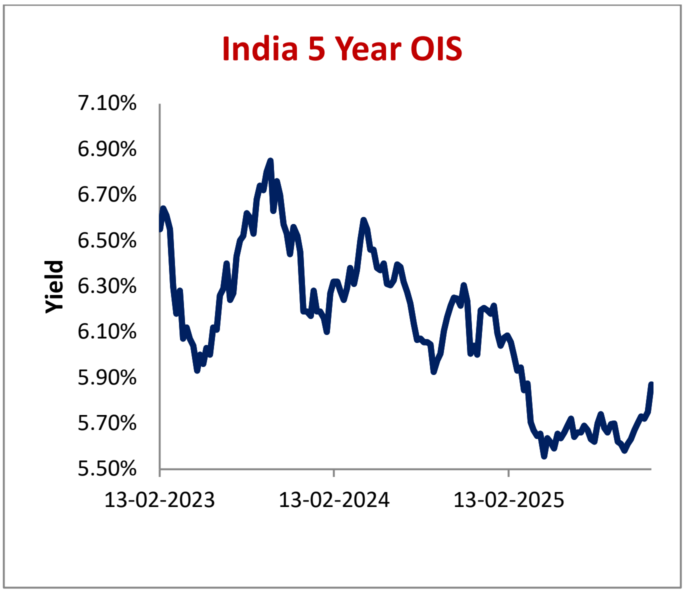
Week Ahead:

Key Events *[15th December-2025 to 19th December-2025]*	Date	Previous Number	Forecasted Number
Japan Tankan Large Manufacturers Index Q4	15-Dec-25	14	15
China Industrial Production YoY NOV	15-Dec-25	4.90%	5.40%
China Retail Sales YoY NOV	15-Dec-25	2.90%	3.30%
India WPI Inflation YoY NOV	15-Dec-25	-1.21%	-0.50%
India Unemployment Rate NOV	15-Dec-25	5.20%	5.20%
U.K. Unemployment Rate OCT	16-Dec-25	5.00%	5.10%
Germany HCOB Manufacturing PMI Flash DEC	16-Dec-25	48.2	48.9
U.K. S&P Global Manufacturing PMI Flash DEC	16-Dec-25	50.2	51.2
U.K. S&P Global Services PMI Flash DEC	16-Dec-25	51.3	52
Germany ZEW Economic Sentiment Index DEC	16-Dec-25	38.50	39.00
U.S. Non Farm Payrolls OCT	16-Dec-25	119K	55K
U.S. Non Farm Payrolls NOV	16-Dec-25	-	35K
U.S. Unemployment Rate NOV	16-Dec-25	4.40%	4.60%
Japan Balance of Trade NOV	17-Dec-25	¥-231.8B	¥65.0B
U.K. Inflation Rate YoY NOV	17-Dec-25	3.60%	3.40%
Germany Ifo Business Climate DEC	17-Dec-25	88.10	88.50
BoE Interest Rate Decision	18-Dec-25	4.00%	3.75%
ECB Interest Rate Decision	18-Dec-25	2.15%	2.15%
U.S. Core Inflation Rate YoY NOV	18-Dec-25	-	3.00%
U.S. Inflation Rate YoY NOV	18-Dec-25	-	3.00%
U.S. Inflation Rate YoY NOV	19-Dec-25	3.00%	2.90%
BoJ Interest Rate Decision	19-Dec-25	0.50%	0.75%
Germany GfK Consumer Confidence JAN	19-Dec-25	-23.20	-23.00
U.K. Retail Sales MoM NOV	19-Dec-25	-1.10%	-0.40%

Week in Review:

Key Events *[08th December-2025 to 12th December-2025]*	Date	Previous Number	Actual Number
China Balance of Trade NOV	08-Dec-25	$90.07B	$111.68B
Germany Balance of Trade OCT	09-Dec-25	€15.3B	€16.9B
U.S. JOLTs Job Openings OCT	09-Dec-25	7.66M	7.67M
U.S. JOLTs Job Openings SEP	09-Dec-25	7.23M	7.66M
China Inflation Rate YoY NOV	10-Dec-25	0.20%	0.70%
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%	0.71%



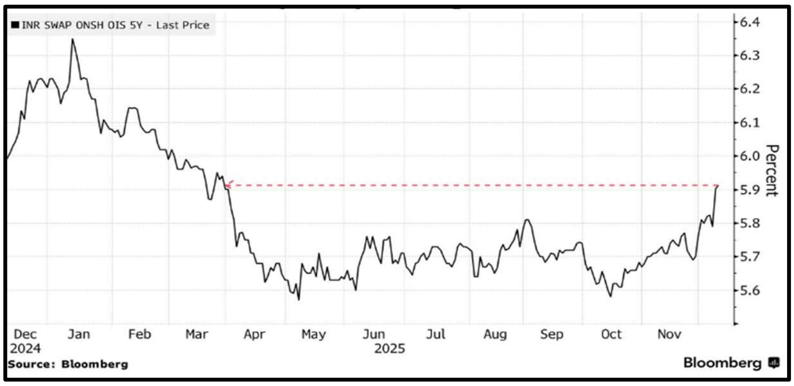


Market Recap

Easing on Paper, Tightening in Prices: What Indian Bonds and OIS Are Signaling

Indian fixed income markets stayed under pressure despite the RBI's 25 bps policy rate cut to 5.25%, underscoring a widening gap between policy signalling and market belief. The 10-year benchmark yield climbed to 6.63%, marking its highest level since late March 2025 and the sharpest weekly rise in several months, as investors reassessed the durability of the easing cycle.

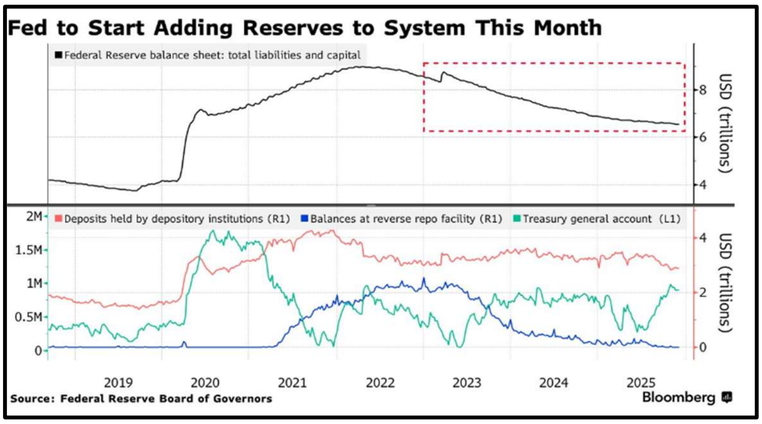
The money market reinforced this caution. Front-end OIS rates remained sticky, with the 1-year OIS holding around 5.45–5.50%, indicating limited conviction on further near-term cuts. The repricing was more pronounced in the belly of the curve, where the 5-year OIS moved up toward 5.90–5.95%, driven by offshore paying, position unwinds, and growing consensus that the policy rate may be close to terminal.



Higher global bond yields, a weaker rupee, and FPI selling in FAR securities added to domestic pressure. The absence of the 10-year benchmark from recent RBI OMO purchases further hurt sentiment, even as overall liquidity injections remained sizeable.

In effect, markets are treating the December cut as a calibration rather than the start of a sustained easing cycle. Until durable surplus liquidity is clearly established, bonds and OIS are likely to remain biased toward range-bound to higher yields, despite supportive inflation dynamics.

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

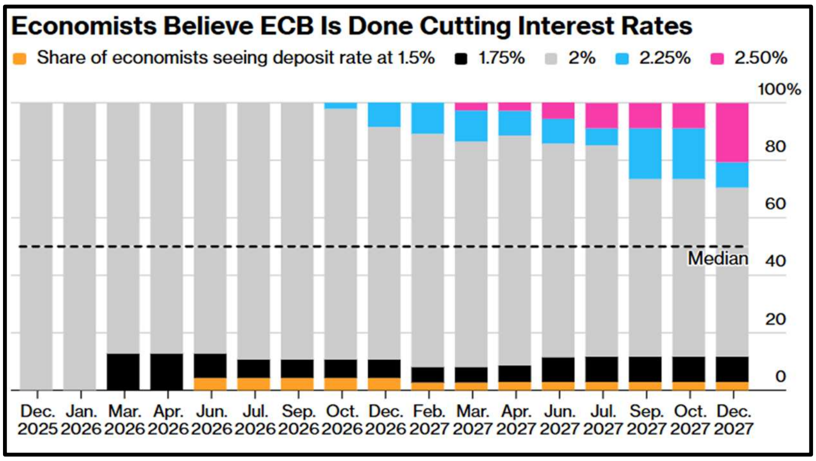


The Fed cut rates this week to 3.5%-3.75%, but the bond market treated it as a late-cycle adjustment rather than the start of renewed easing. Short-term yields edged lower as liquidity conditions improved, reinforced by the Fed's decision to begin adding reserves via $40bn per month of Treasury bill purchases. The move signals a shift from balance-sheet runoff to active reserve management, aimed at preventing funding stress rather than stimulating growth. Long-term yields, however, moved higher, with the 10-year rising above 4.20% and the 30-year touching its highest level since September. The curve steepened as investors repriced firmer growth expectations, persistent inflation risks and the likelihood that further rate cuts will be limited.

Dissenting Fed voices and data uncertainty following the government shutdown reinforced the view that policy is now close to neutral. Stable inflation breakevens near 2.3% suggest inflation fears are contained, but not convincingly defeated.

The takeaway is increasingly clear: the Fed is supporting the plumbing, not suppressing term premia. Liquidity operations are anchoring the front end, while the long end continues to reflect growth, fiscal risks and credibility concerns leaving curve steepening as the market's preferred expression of this phase of the cycle.

Euro Rates Turn Hawkish as U.S. Diverges



German Bund yields pushed higher this week, with 30-year yields hitting a 14-year high as investors repriced euro-area rates toward a *post-cut, pre-hike* regime sharply diverging from a U.S. curve still anchored by expectations of Fed easing. The sell-off was led by the long end, reflecting rising term premia amid Berlin's renewed defence and infrastructure spending plans, heavier future issuance, and structurally weaker demand for ultra-long debt after Dutch pension reforms. Short-end moves were more nuanced: Schatz yields dipped after testing March highs, but the market has decisively priced out ECB cuts, with swaps now implying a meaningful probability of tightening from 2026 onward.

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Isabel Schnabel's remarks that the "next move could be a hike" catalysed the shift, even as many economists caution that markets may be running ahead of the Governing Council. The result is a compressed U.S.–Germany front-end spread and a euro curve increasingly driven by fiscal and inflation risk rather than growth weakness. Strategists are split: some see value in Bund longs given elevated term premia, while others warn that persistent fiscal easing and labour tightness could keep upward pressure on long-dated yields. Overall, Europe's fixed income narrative has flipped from "how many cuts?" to "how soon is too soon for hikes?" at a time when U.S. policy is moving in the opposite direction.

End of report

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