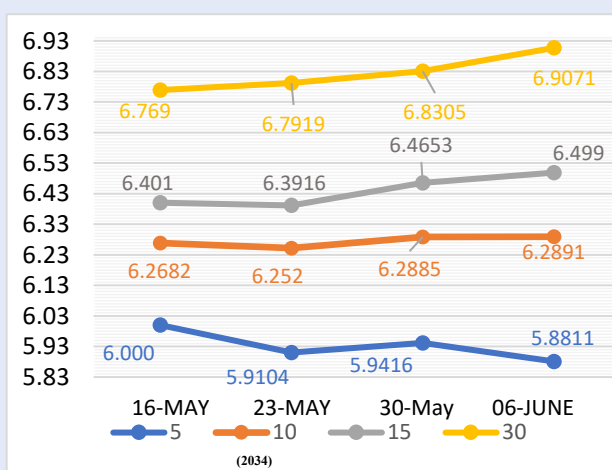
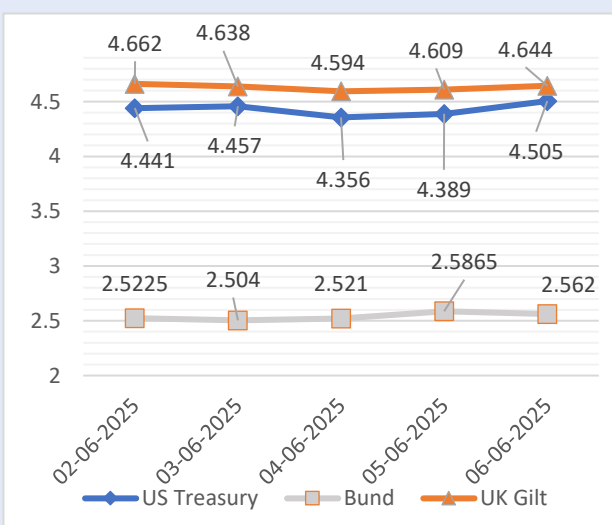


7TH JUNE 2025
MARKET OVERVIEW

	2 JUN	3 JUN	4 JUN	5 JUN	6 JUN
USD/INR	85.3	85.7	85.8	85.8	85.7
OIL	64.6	65.6	64.8	65.3	66.4
GOLD	3397	3377	3399	3375	3346
India 10 Y (2035)	6.2144	6.2022	6.2065	6.1960	6.2373
US 10 Y	4.441	4.457	4.356	4.389	4.505
NIFTY 50	24690	24538	24612	24761	25003
SENSEX	81274	80705	80967	81442	82176

INDIA BOND YIELD (%)

KEY 10-YR YIELDS (%)

Key headlines from the week:

The 10-year benchmark (6.33% GS 2035) yield concluded the week at 6.2373 at 0.65 bps higher the previous week's closing figure.

The weekly movement in spreads include 10Y Indian Treasuries (0.65 bps above), 10Y UST (11 bps above), 10Y Bund (6 bps above), and 10Y UKT (1 bps below).

The latest U.S. jobs report, showing steady unemployment at 4.2% and moderate job gains, supports the Federal Reserve's stance to hold interest rates steady despite political pressure for cuts, as policymakers prefer to wait and assess the impact of trade tensions and inflation risks before making any moves.

Global food commodity prices fell 0.8% in May, led by declines in cereals, sugar, and vegetable oils, according to the FAO. Cereal prices dropped 1.8% due to strong maize harvests, while rice rose 1.4% on firm demand. Vegetable oil prices fell 3.7%, and sugar declined 2.6% on weak demand and better production outlooks. Meat and dairy prices rose 1.3% and 0.8% respectively, with beef at a record high and strong Asian demand boosting dairy.

Danske Bank has downgraded its 2025 U.S. growth forecast to 1.6% from 2.3%, citing faster-than-expected implementation of sweeping tariffs under President Trump, which are expected to weigh on the economy and push up prices, particularly in the second half of 2025. While a recession isn't projected, growth is seen slowing further to 1.3% in 2026. Despite some tariff pauses, the U.S. effective tariff rate now stands at 15%, its highest since WWII. Inflation is expected to ease slightly due to lower oil prices, with 2025 inflation revised to 2.8% (from 3.0%).

Liquidity Operation by RBI

Date	VRR	MSF	SDF
May 26	4073	2476	210831
May 27	3542	902	227421
May 28	3843	606	229136
May 29	3335	1062	218709
May 30	8721	1540	229098
May 31	-	1005	246776

AVERAGE DAILY TURNOVER

Item	Week Ended		
	May 31. 2024	May 23. 2025	May 30. 2025
	1	2	3
Call Money	19446	29606	26805
Notice Money	5516	2533	8125
Triparty Repo	720037	666649	824530
Market Repo	671501	607184	709037
Repo in Corporate Bond	3762	6682	6308

Most Actively Traded Debt.

Paper	Yield (%)	LTP
INDIAN RAILWAY FINANCE CORPORATION LIMITED SR 191B 6.58 BD 30MY30 FVRS1LAC	6.5616	100.3477
NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT SR 25G 7.48 BD 15SP28 FVRS1LAC	6.3851	103.3045
SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA SR III 7.34 BD 26FB29 FVRS1LAC	6.4934	102.7438

Indian Market update:

The Reserve Bank of India unexpectedly cut the repo rate by 50 basis points to 5.5% and reduced the cash reserve ratio (CRR) by 100 bps to 3%, citing easing inflation and rising global uncertainties. Governor Sanjay Malhotra announced a shift in stance from 'accommodative' to 'neutral' and revised the CPI inflation forecast for FY26 down to 3.7%, while maintaining GDP growth at 6.5%. The larger-than-expected rate cut, aimed at front-loading policy support, reflects caution amid global risks and modest domestic growth. Markets reacted with a slight dip in the rupee.

India's services sector maintained strong growth in May, supported by robust export demand and record job creation, though price pressures rose. The HSBC India Services PMI edged up to 58.8 from 58.7 in April, remaining well above the 50-mark that signals expansion, though below the initial estimate of 61.2, indicating slightly slower-than-expected momentum.

With banks slow to transmit previous rate cuts, corporates are increasingly tapping the bond market—particularly favouring short-term debt. In May 2025, firms raised ₹61,200 crore through bonds with maturities up to five years, nearly triple the amount raised a year ago, according to Prime Database. This shift is driven by the Reserve Bank of India's substantial liquidity injection—around \$100 billion since December 2024—which has pushed short-term yields down more sharply than long-term ones. The system remains in a surplus of nearly ₹2 lakh crore.

The Government of India has announced the buyback of its Securities through auction for an aggregate amount of ₹26,000 crore (face value).

Upcoming auction schedule:

- **10TH June** – RBI announced the SDL auction, in which 8 states will be raising aggregating to 18,330 crores.
- **11TH June** – RBI announced the auction of T bills for 91 days, 182 days, and 364 days for 9000, 5000, & 5000 crores respectively.

INR – DOLLAR EXCHANGE

	2 JUN	3 JUN	4 JUN	5 JUN	6 JUN
OPEN	85.5	85.3	85.6	85.8	85.8
HIGH	85.5	85.7	86.0	85.9	86.0
LOW	85.2	85.3	85.6	85.6	85.6
CLOSE	85.3	85.7	85.8	85.8	85.7

INTEREST RATES

COUNTRY	CURRENT	PREVIOUS
INDIA	5.50	6.00
USA	4.50	4.50
UK	4.25	4.5
CHINA	3.00	3.10
EURO AREA	2.15	2.40
JAPAN	0.50	0.50

DATE	EVENTS
9-JUNE	Japan GDP, China Inflation, United States Wholesale Inventories, United States Consumer Inflation Expectations
10-JUNE	S&P Global Investment Manager Index, United Kingdom Labour Market Report, Australia Westpac Consumer Confidence
11-JUNE	United States Monthly Budget Statement, United States Inflation, Malaysia Industrial Production, Unemployment Rate
12-JUNE	India Inflation, United Kingdom Balance of Trade, Global GEP Supply Chain Volatility Index
13-JUNE	India Trade, Eurozone Balance of Trade, Eurozone Industrial Production, United States UoM Sentiment

Currency Movement:

The Indian rupee ended modestly stronger on Friday, closing at 85.6250 per U.S. dollar after the Reserve Bank of India (RBI) delivered a surprise 50 basis point rate cut—the steepest in five years—alongside a 100-bps reduction in the cash reserve ratio (CRR). This policy easing, driven by a soft inflation outlook and aimed at reviving growth, boosted domestic equities, with the BSE Sensex and Nifty 50 rallying nearly 1% each. However, the 10-year government bond yield remained volatile, ending slightly higher at 6.2237% as markets weighed the implications of the RBI's shift from an 'accommodative' to 'neutral' stance. Forward premiums also declined, with the 1-year implied yield dropping 10 bps to 1.81%.

Analysts noted the RBI's aggressive policy support could strengthen the rupee further, especially if the U.S. Federal Reserve pivots to a dovish stance later this year. DBS indicated potential for revising its USD/INR forecast downward if global conditions favour further dollar weakness. Globally, the dollar remained firm, with the dollar index rising 0.3% to 98.9 ahead of the U.S. non-farm payrolls data, which is expected to offer insight into how the American economy is weathering trade-induced uncertainty.

Key updates and week ahead:

In the upcoming week, markets will closely watch U.S. inflation data, especially core CPI, following PMI signals of the fastest rise in selling prices since September 2022, driven by higher tariffs. Focus will also be on the University of Michigan consumer sentiment index for insights on inflation expectations and household confidence. Additionally, inflation data from Brazil and Mexico will be tracked, with Brazil showing signs of easing price pressures amid weakening demand.

UK employment and GDP data are due this week, with PMI figures signalling the weakest start to a quarter in over a year and steep job cuts across sectors. Meanwhile, Eurozone trade and production data will be in focus, as export orders continued to decline sharply in May despite overall manufacturing growth, reflecting tariff-related trade weakness.