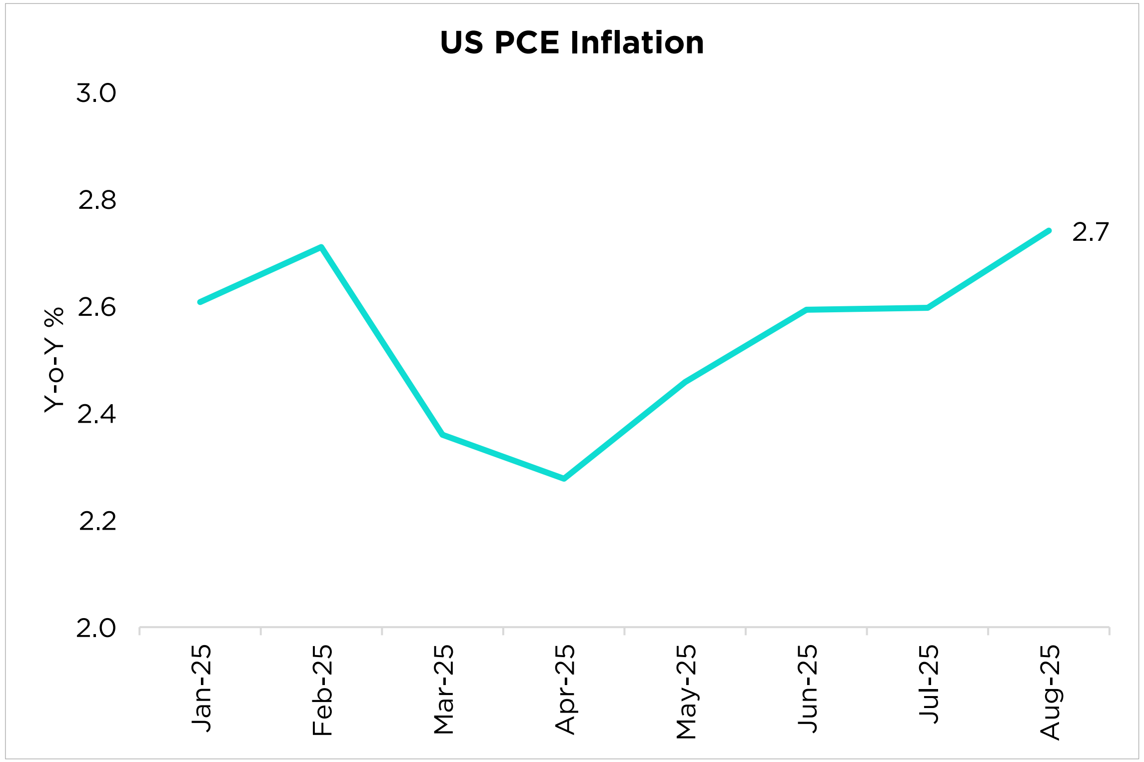
CareEdge

Debt & Forex Market Update

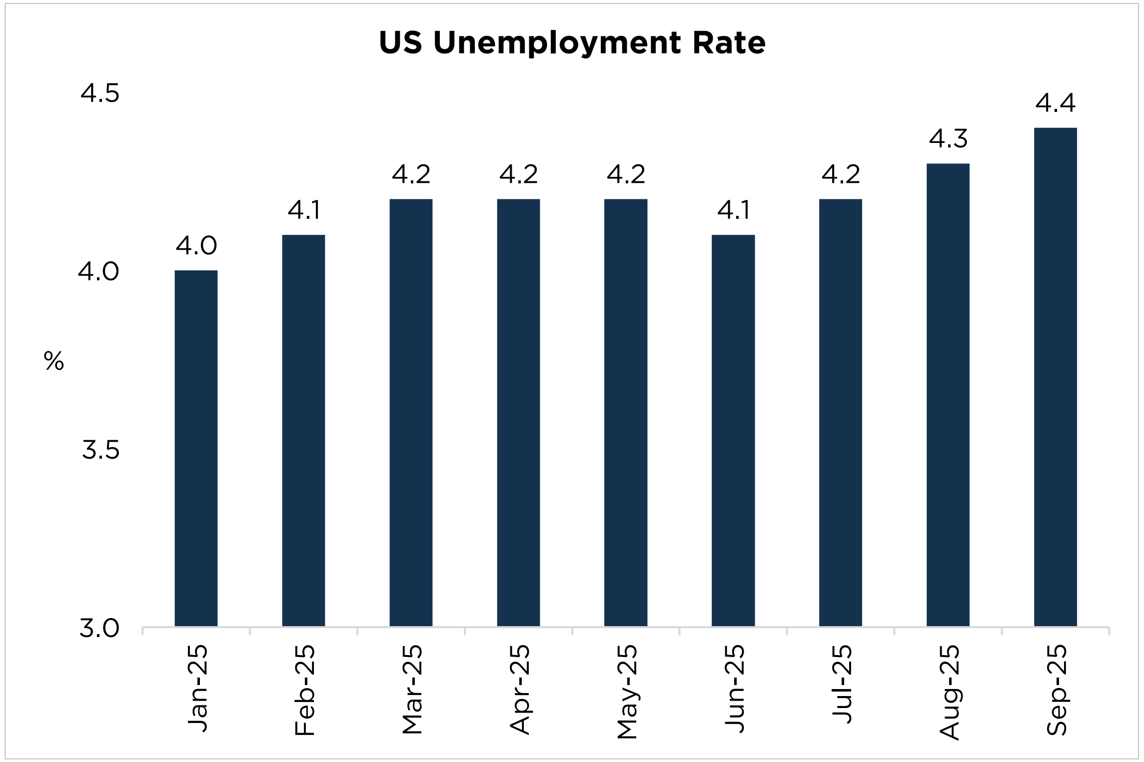
November 2025

Contents

December Fed Rate Cut Expected



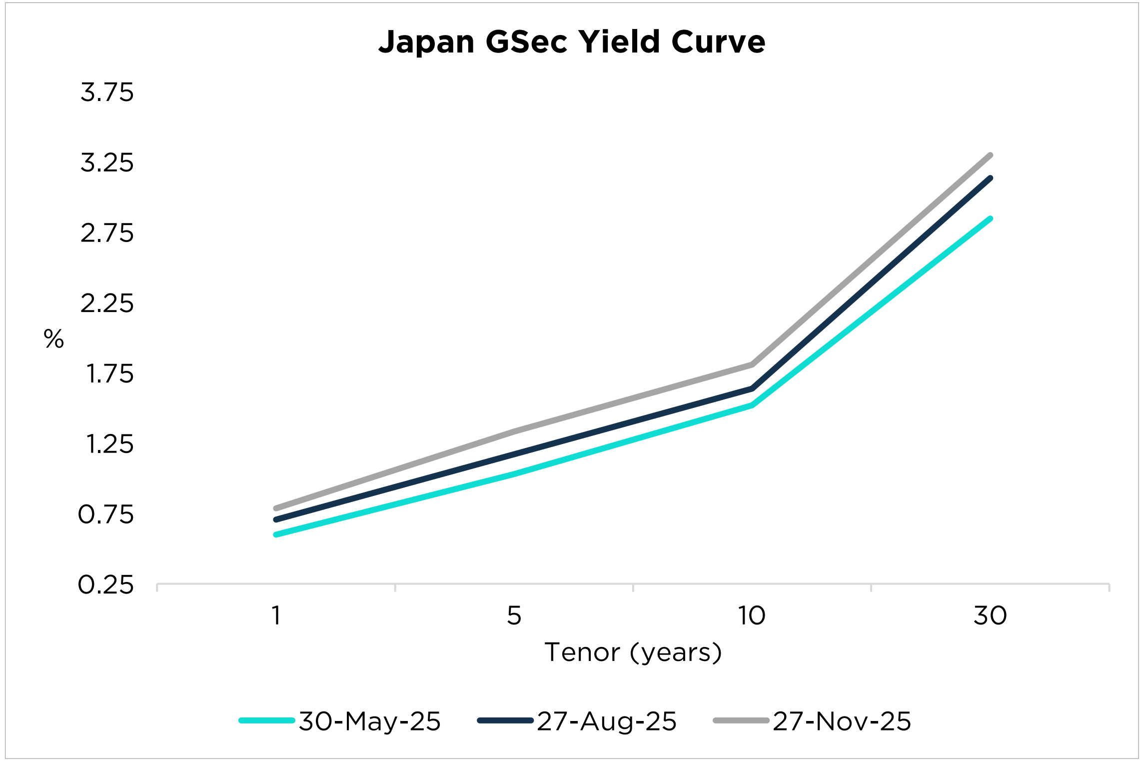
Source: CEIC, CareEdge



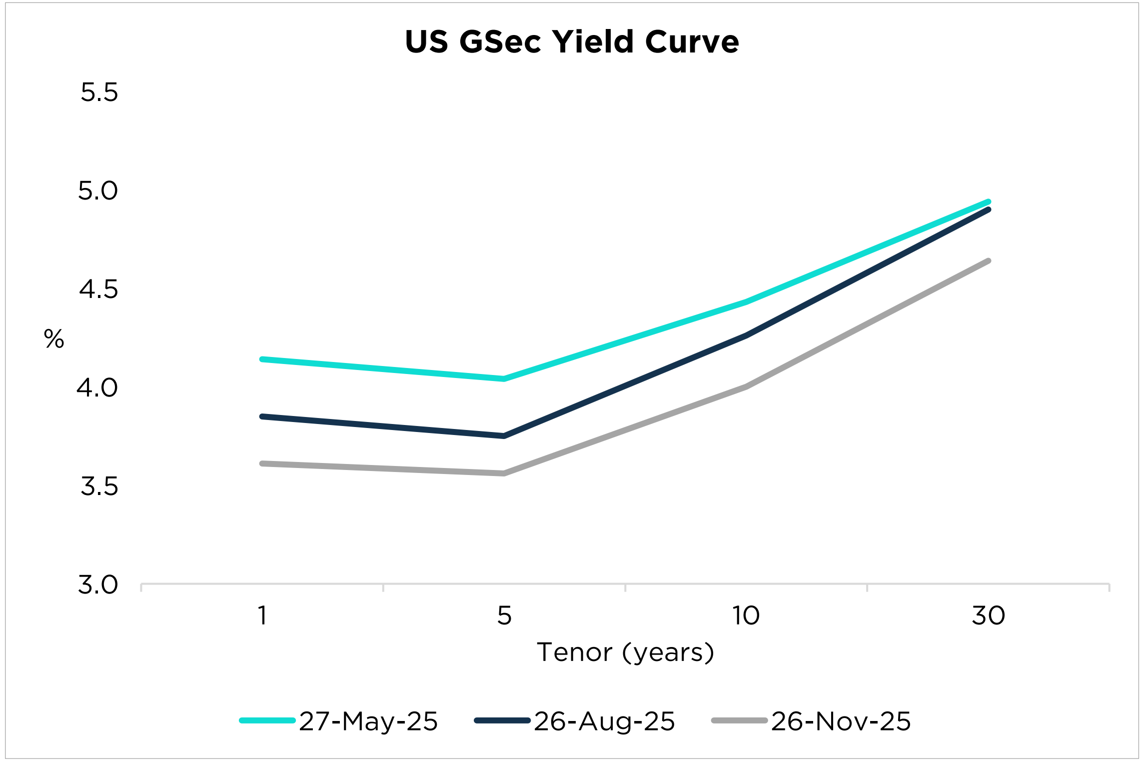
Source: FRED, CareEdge

- US PCE inflation rose marginally to 2.7% in September, up from 2.6% in the previous month and has been on an uptrend from the low of 2.3% in April.
- Retail sales grew by 0.2% MoM in September, a four-month low, from a high of 1% in June, indicating cooling consumer demand.
- We expect the Fed to cut its policy rate by 25bps in December, amidst a sharp fall in the consumer confidence index, rising concerns about the weak labour market and dovish commentary by Fed members.

Yields Rise in Japan but Moderate in the US



Source: CEIC, CareEdge



Source: CEIC, CareEdge

- While yields have risen across tenors in Japan, it has reduced in the US in the past six months.
- Expectations of rate hike by BoJ and fiscal expansion in Japan has resulted in higher yields across tenors.
- However, expectations of rate cut in the US led to moderation of yields across tenors.
- Higher yields in Japan can impact fund inflows via carry trade. However, lower US yields can cushion its impact.

India's CPI Inflation Eased to an All-Time Low

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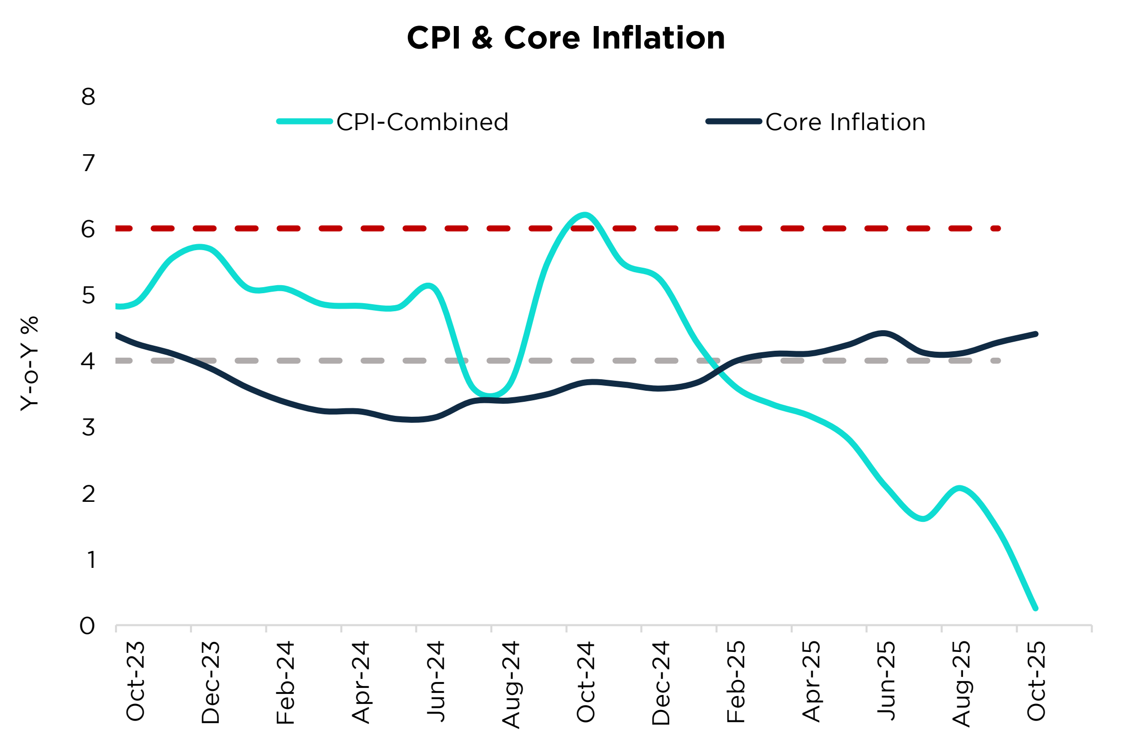
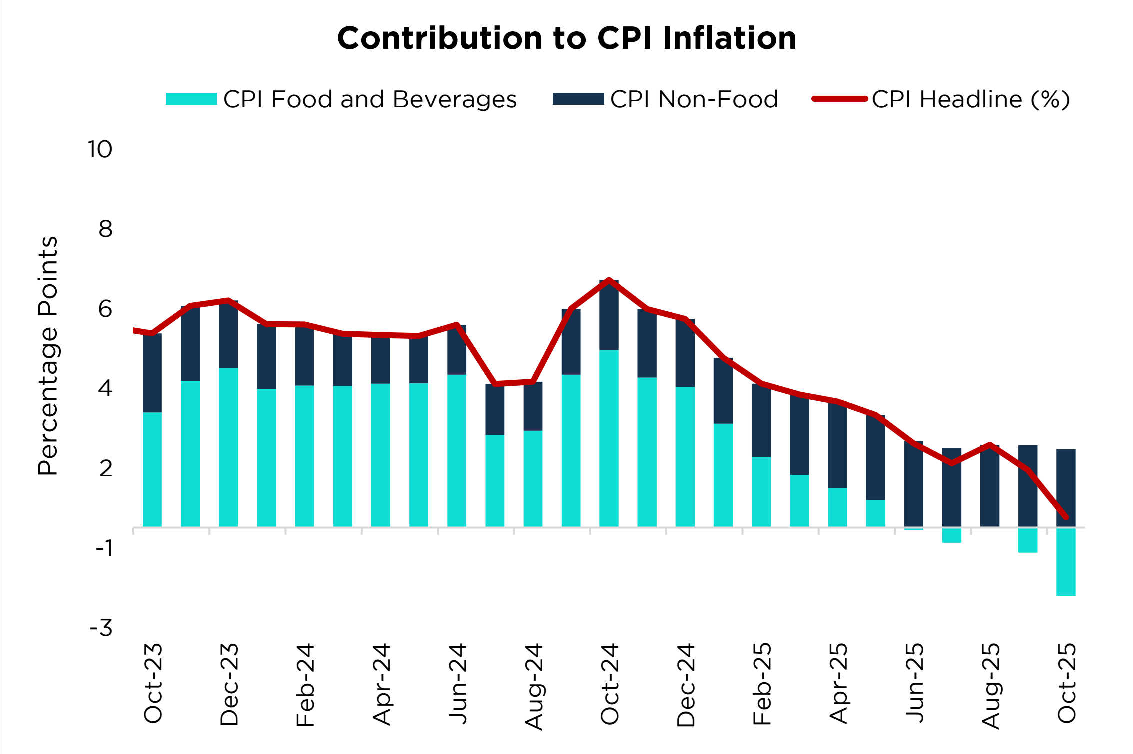


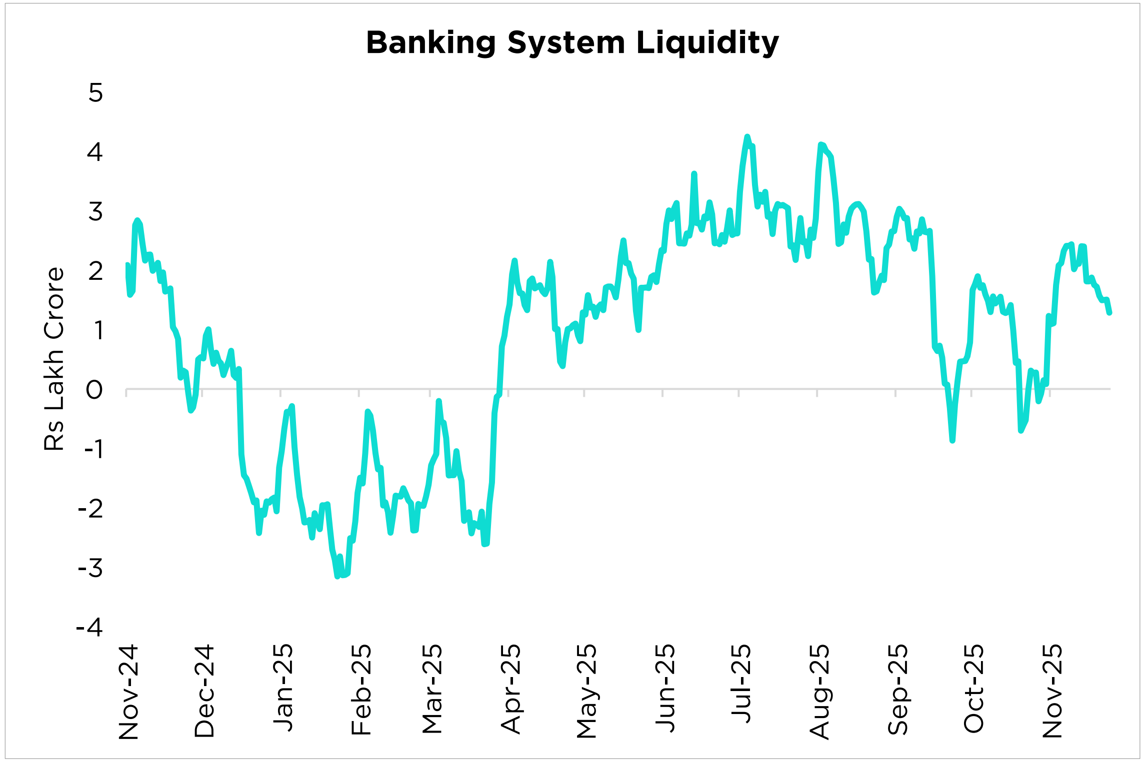
Source: MOSPI, CareEdge



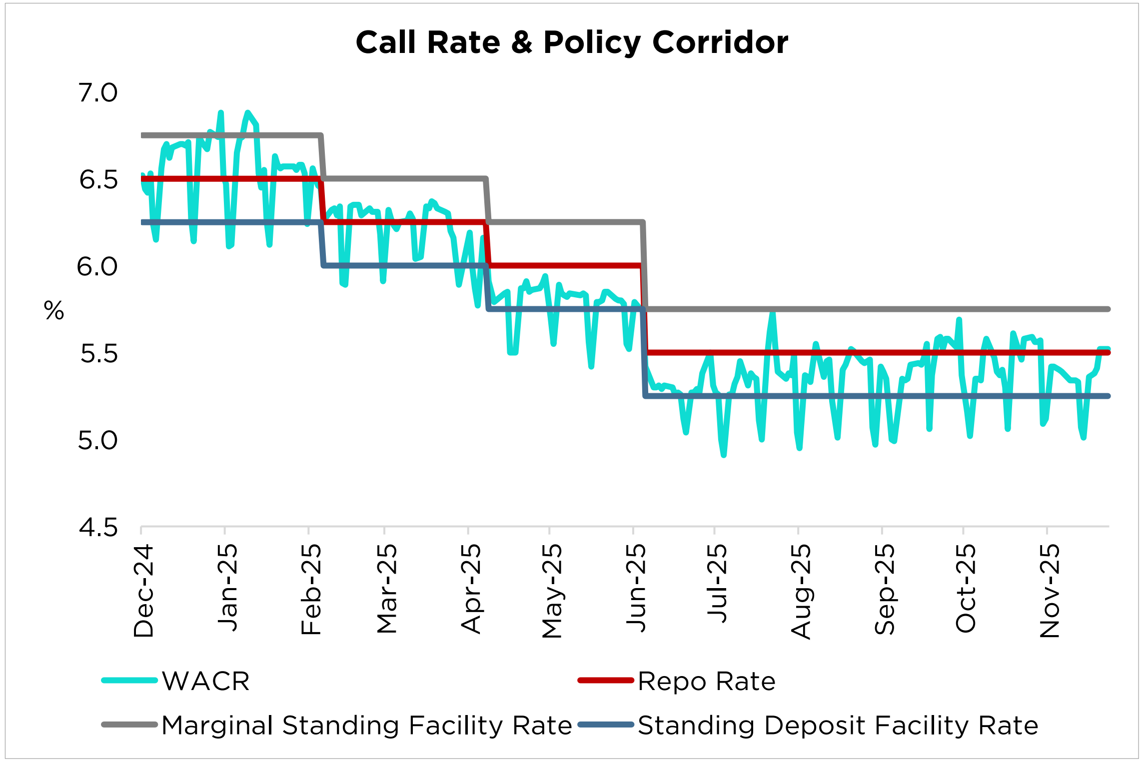
Source: MOSPI, CareEdge

- CPI inflation eased to an all-time low of 0.3% in October, aided by the positive impact of the GST rationalisation and deflation in the food and beverages category.
- Core CPI rose to 4.4% amid double-digit inflation seen in precious metals. Excluding precious metals, core CPI inflation was benign at 2.5%.
- With food inflation subdued, we project an average inflation rate of 2.1% for FY26.
- From a monetary policy perspective, moderating inflation provides the RBI with more room to support growth amid external headwinds and uncertainty around the US trade talks. We expect a 25bps rate cut in December.

Liquidity Remains Comfortable



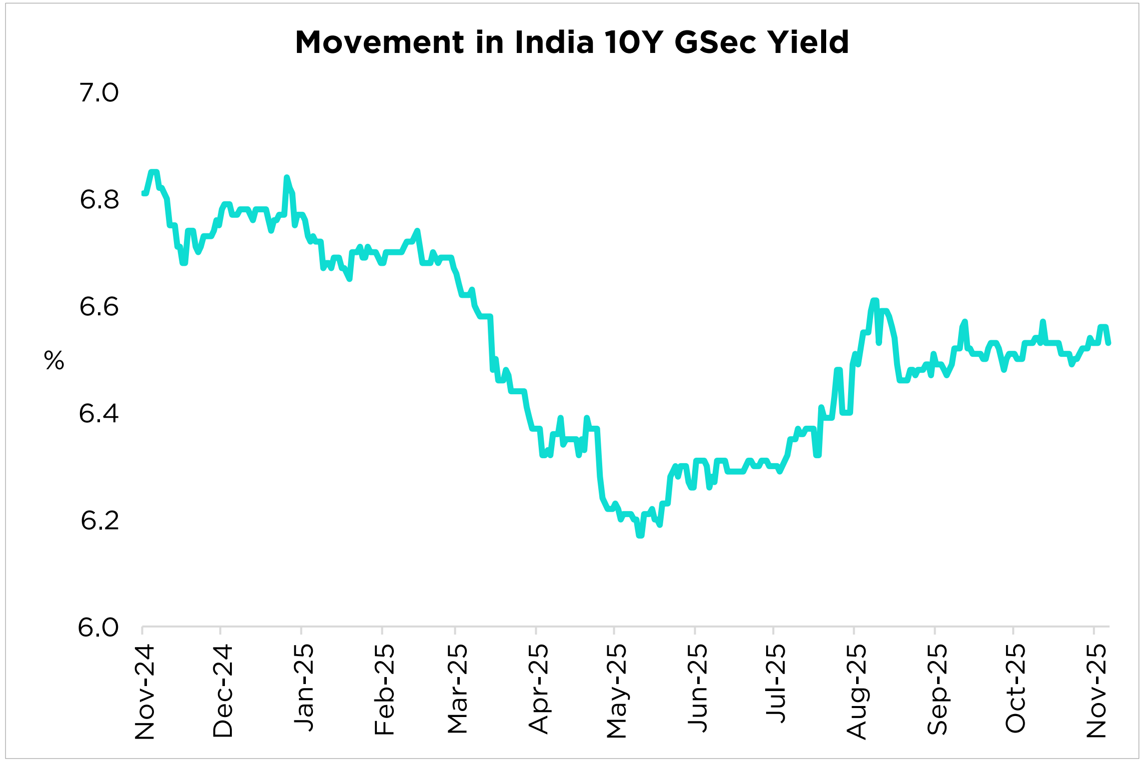
Sources: RBI, CEIC, CareEdge. Data as of 24 November. Positive values denote liquidity surplus



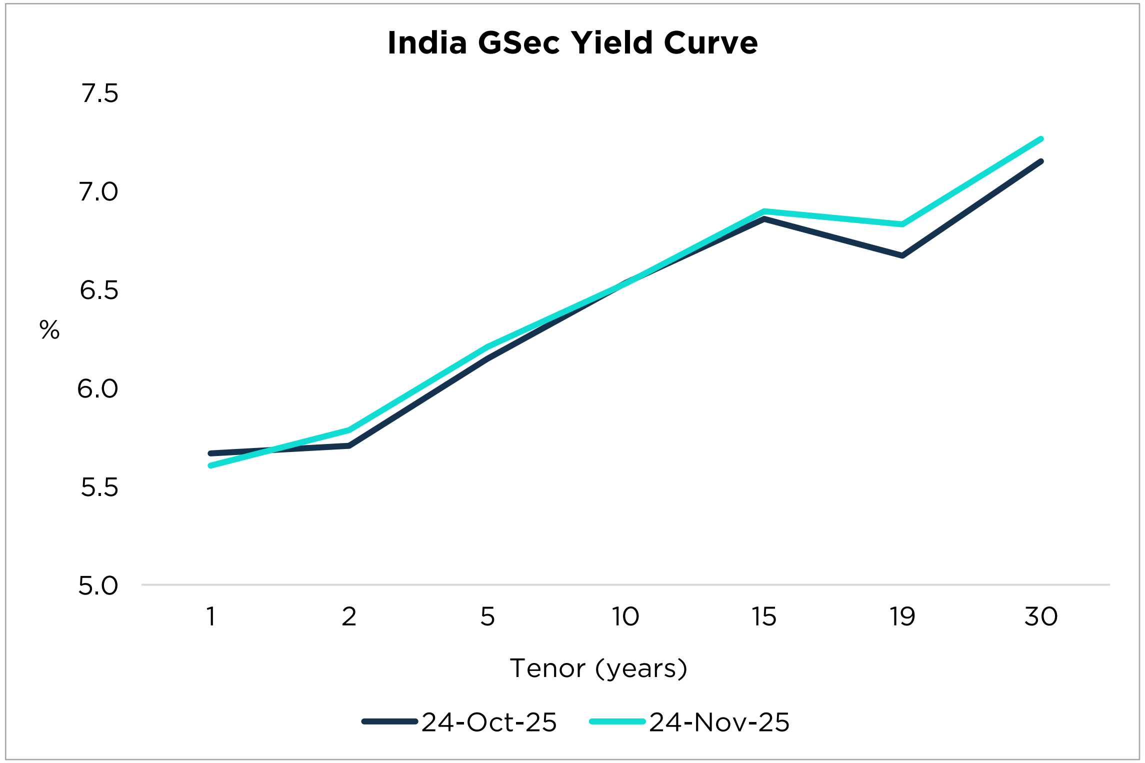
Sources: RBI, CEIC, CareEdge. Data as of 24 November

- Banking system liquidity stood at an average of Rs 1.9 lakh crore in November (up to 24 November). However, liquidity surplus narrowed recently due to tax outflows.
- The WACR averaged 12bps below the policy rate over the past month, reflecting comfortable liquidity conditions.
- As of mid-November, RBI has undertaken OMO purchases worth Rs 0.27 lakh crore.
- Near-term liquidity is expected to be supported by the final tranche of CRR cut, OMO purchases and expected uptick in government spending.

10Y Gsec Yield Remains Stable



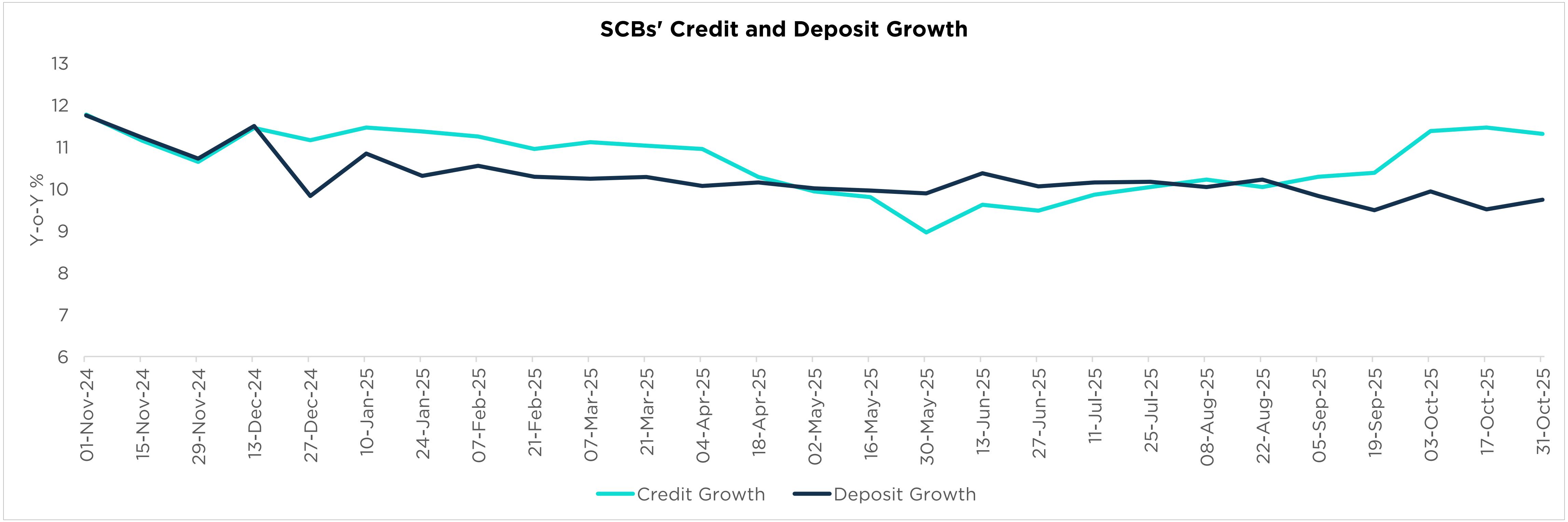
Source: Refinitiv, CareEdge. Data as of 24 November



Source: Refinitiv, CareEdge

- India's 10Y G-sec yield was largely flat over the past month.
- The yield curve steepened as yields for higher tenors increased.
- Positive sentiment around the possible inclusion of Indian bonds in the Bloomberg Global Aggregate Index and expectations of a December rate cut amidst an all-time low inflation supported yields.

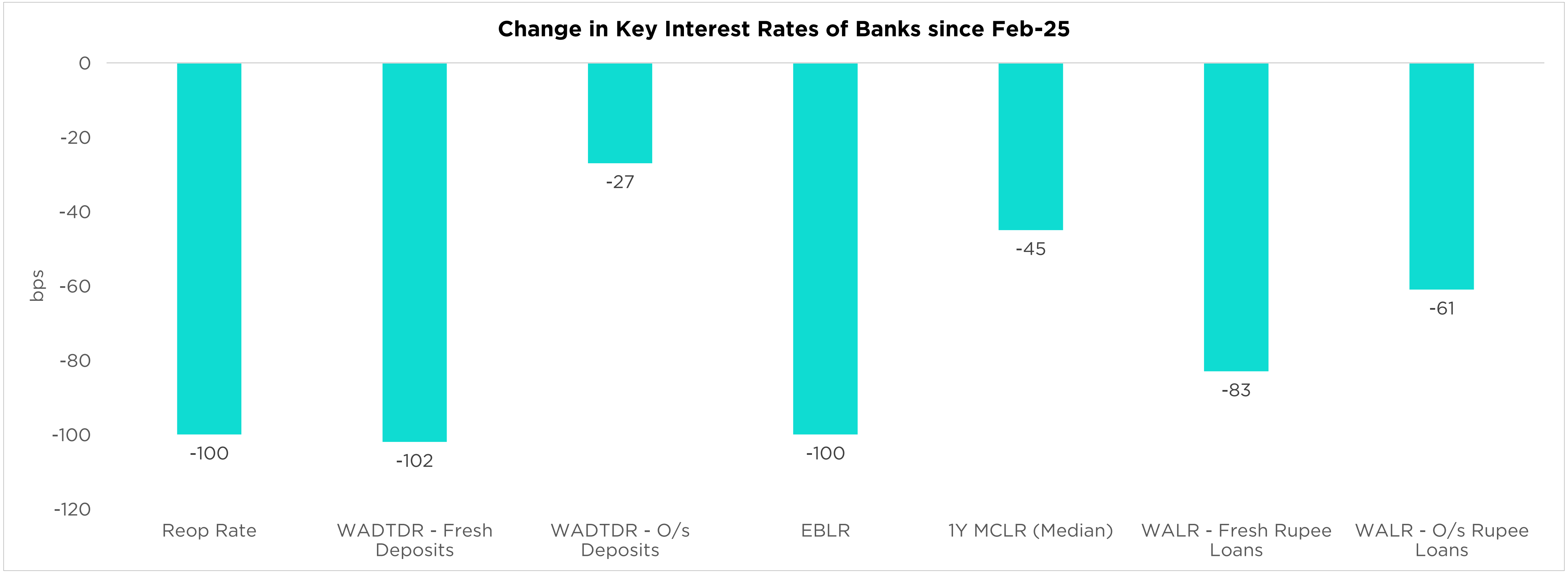
Bank Credit Growth Remains Faster Than Deposit Growth



Source: CMIE, CareEdge

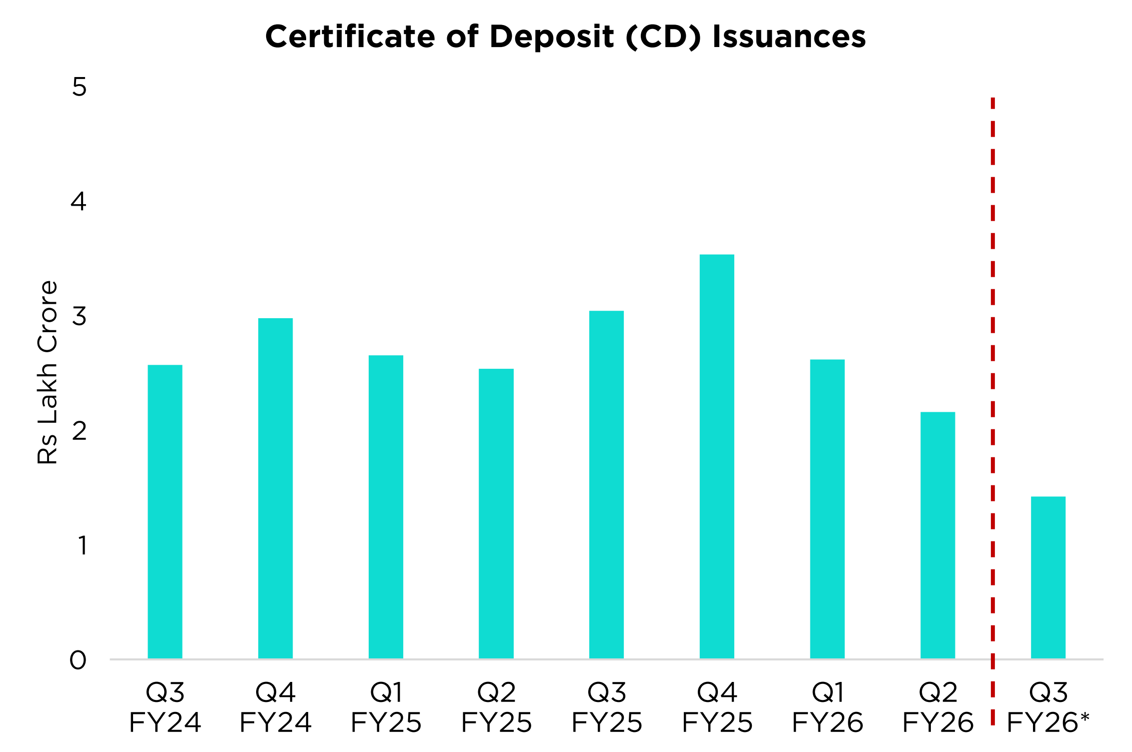
- Both credit and deposit growth have seen a recent uptick.
- Credit growth stood at 11.3% YoY as of 31 October, down from 11.8% in the corresponding period last year, while deposit growth moderated to 9.7% YoY (Vs 11.8%).

Rate Cut Transmission Continues

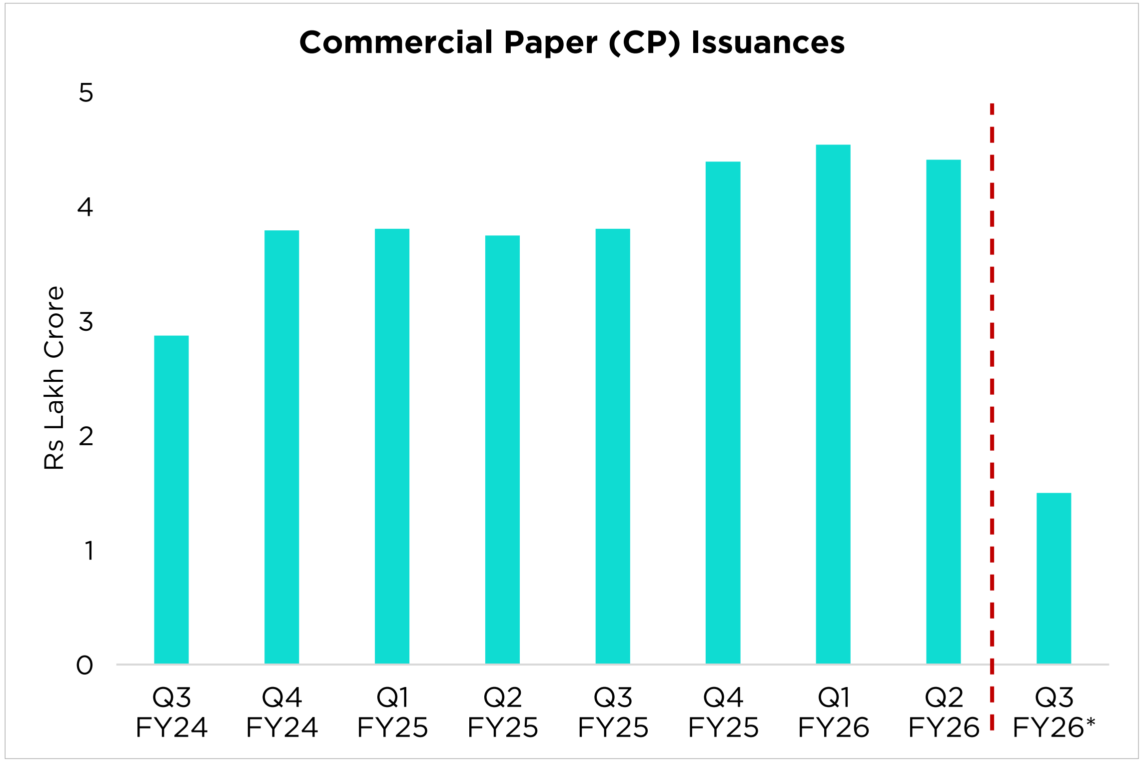


Source: RBI, CMIE, CareEdge
Data on WADTDR and WALR is for September 2025
Note: WADTDR: Weighted Average Domestic Term Deposit Rate; EBLR: External Benchmark-based Lending Rate; MCLR: Marginal Cost of Funds-based Lending Rate; WALR: Weighted Average Lending Rate

CD Issuances Ease, CP Issuances Maintain Traction



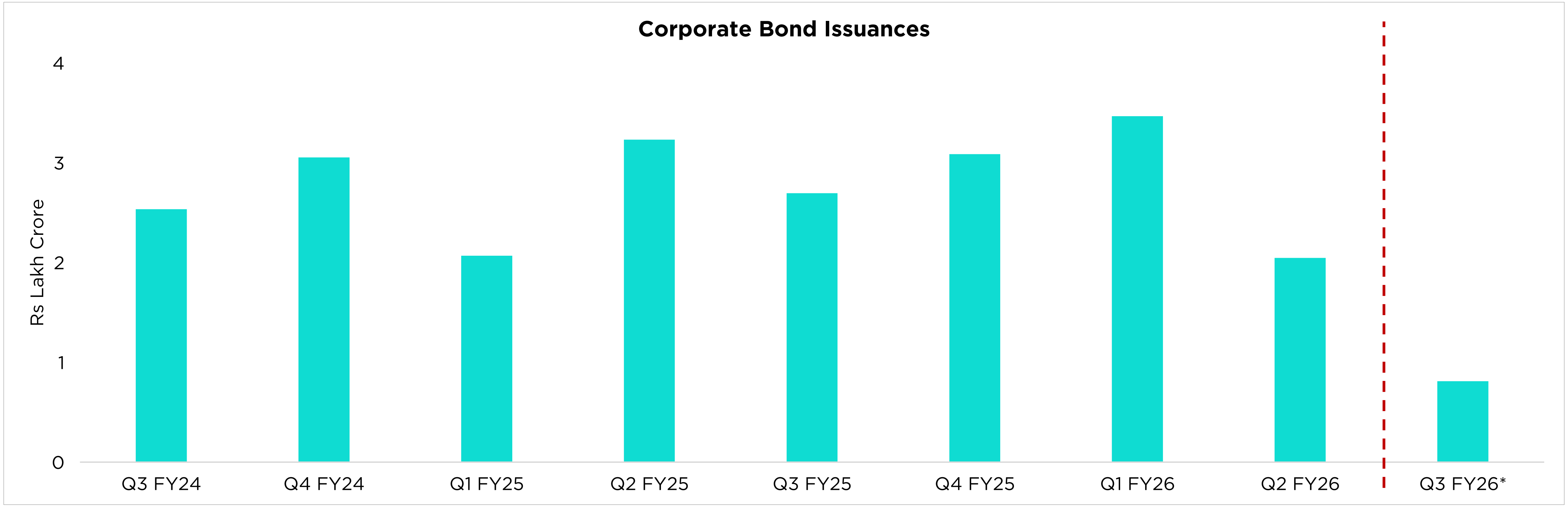
Source: CMIE, CareEdge. *Data as of 14 November



Source: CMIE, CareEdge. *Data as of 15 November

- FYTD CD issuances stood at Rs 6.2 lakh crore (as of 14 November), showing a 4.4% YoY decline.
- Meanwhile, FYTD CP issuances witnessed a 13% YoY increase, rising to Rs 10.4 lakh crore (as of 15 November).

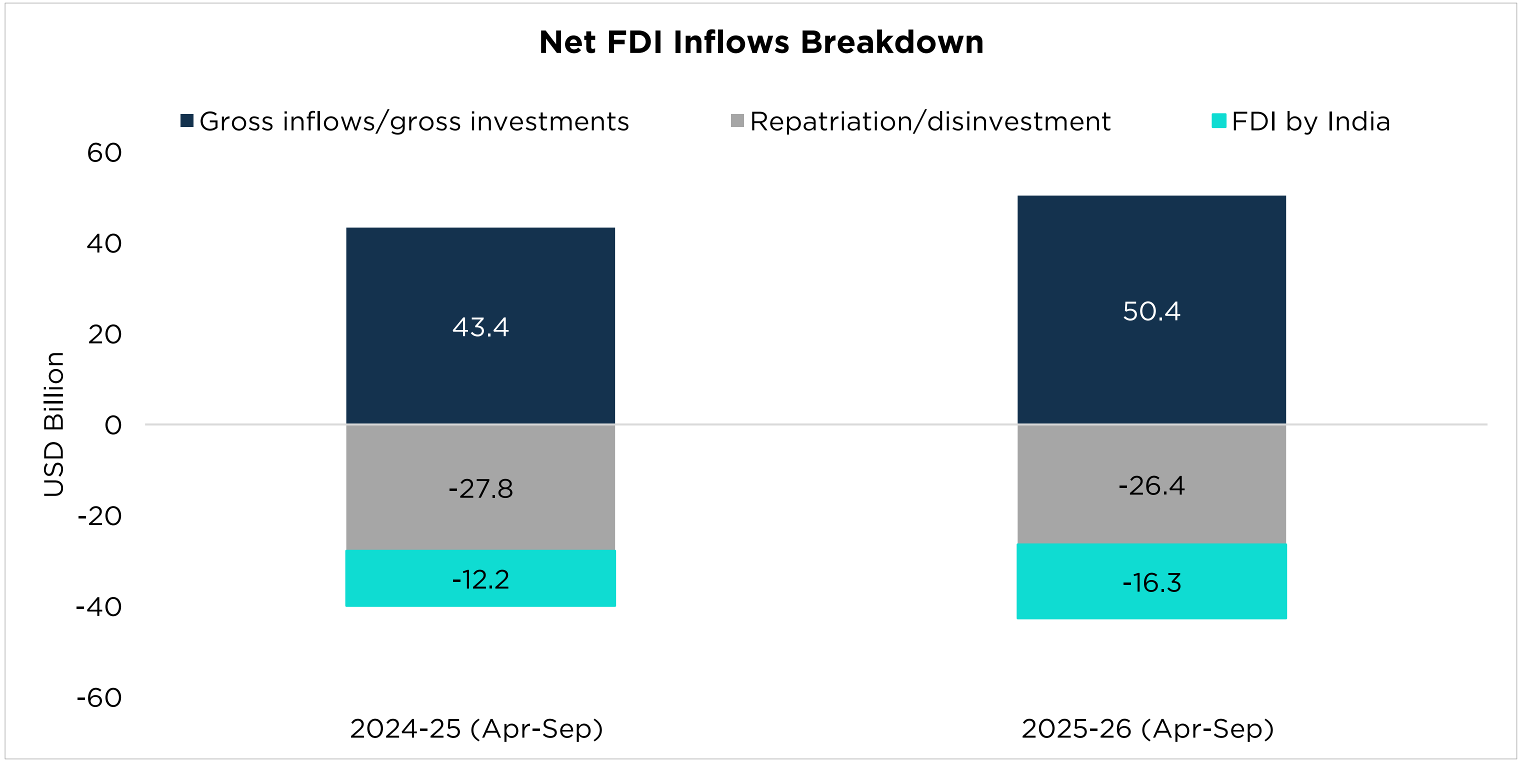
Corporate Bond Issuances Remain Muted



Source: Prime Database, CareEdge. Data includes private placements and public issues. *Provisional data as of October 2025

- Corporate bond issuances moderated to Rs 2 lakh crore in Q2 from Rs 3.5 lakh crore in the previous quarter mainly due to lower issuances by financial entities.
- Corporate bond issuances increased by 8.6% YoY in October.
- On a FYTD basis (up to October), issuances increased by 4.6% YoY to Rs 6.3 lakh crore, moderating from 15.6% YoY growth in the same period last year.

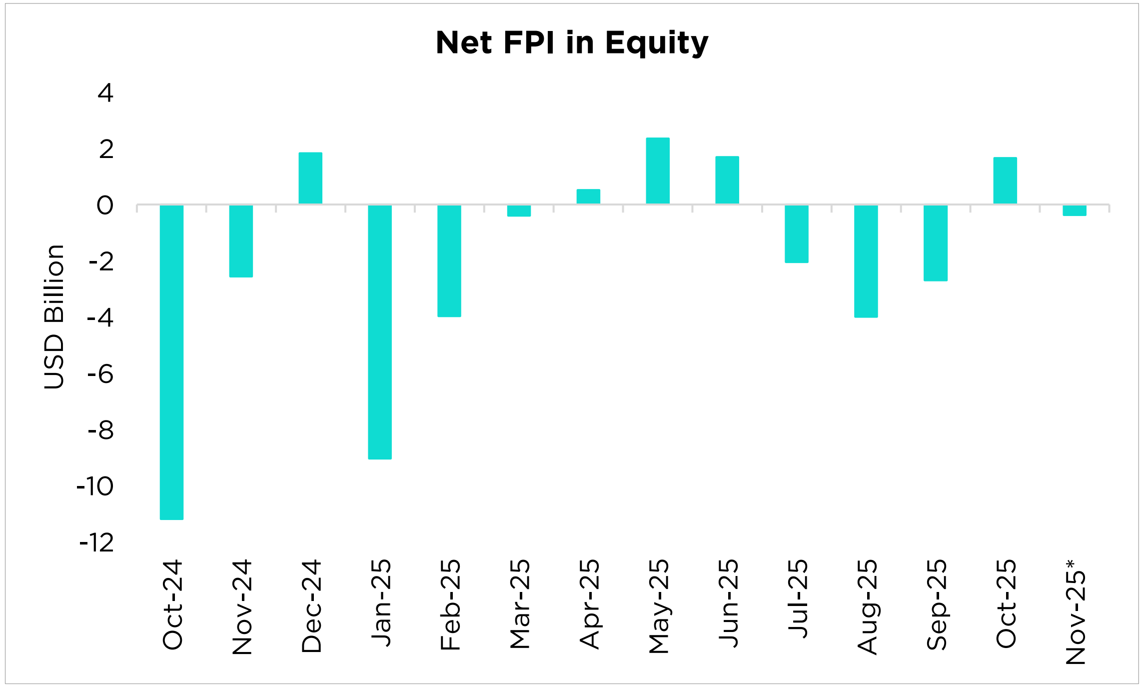
Net FDI Inflows Increased



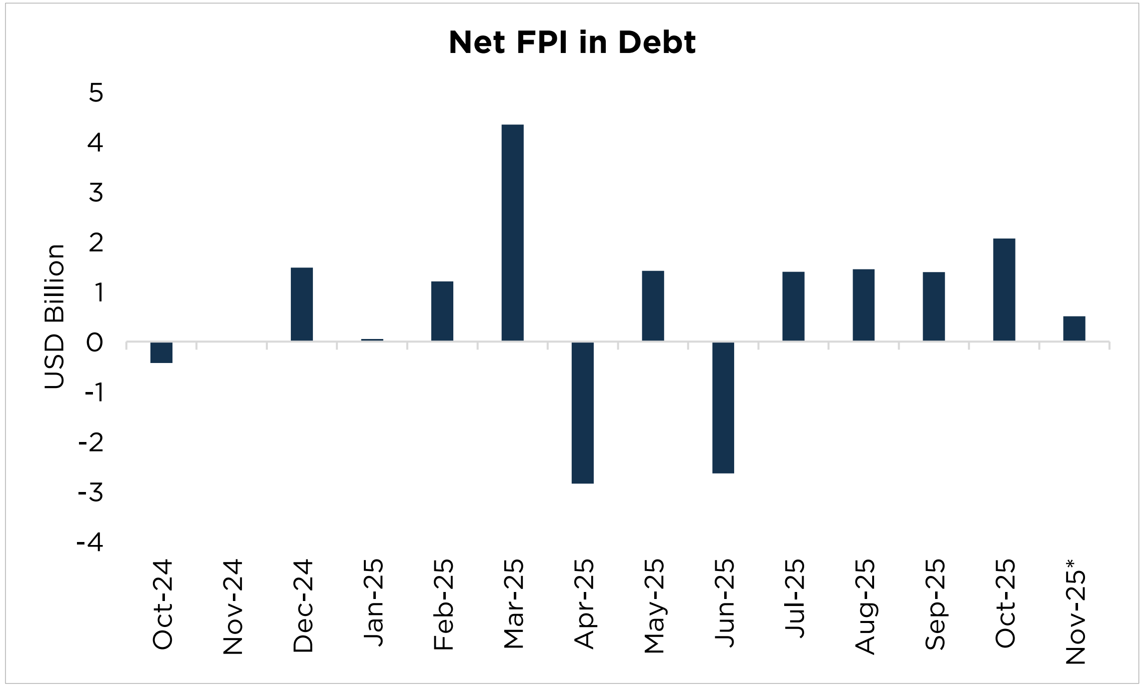
Source: CMIE, CareEdge

- Net FDI inflows (Gross inflows/gross investments - Repatriation/disinvestment - FDI by India) rose to USD 7.6 billion in Apr–Sep FY26, up from USD 3.4 billion in the corresponding period of FY25.
- A 16.1% YoY increase in gross inflows in the FYTD helped drive the pickup in net FDI inflows.
- We expect net FDI inflows to remain muted in FY26.

FPI Inflows Continue



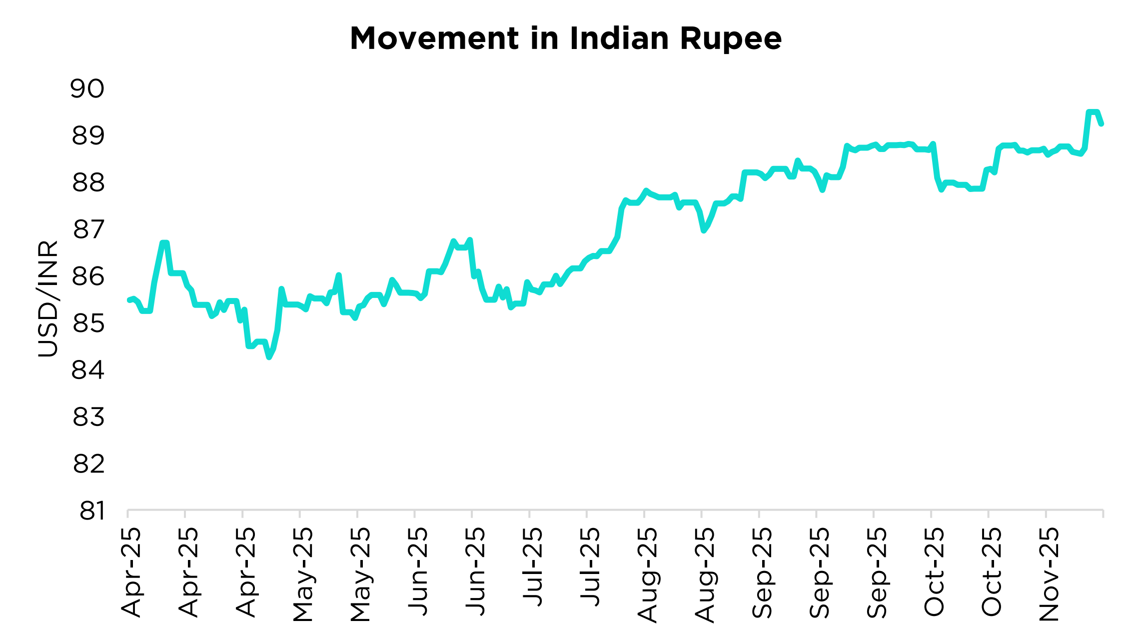
Source: NSDL, CareEdge. *Data as of 27 November



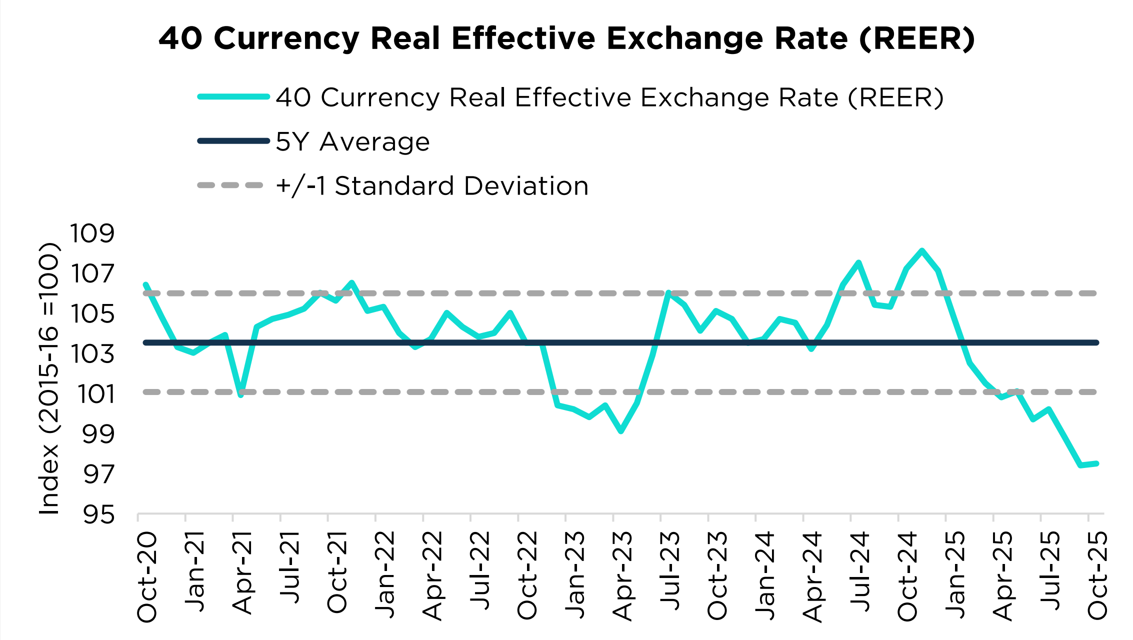
Source: NSDL, CareEdge. *Data as of 27 November

- November (up to 27 November) recorded a net FPI inflow of USD 0.4 billion (equity + debt), reversing the trend seen in the first half of the month amidst dovish commentary by Fed members raising the expectations of US rate cut.
- On a CYTD basis, net FPI outflows stood at USD 7.5 billion, led by equity outflows of USD 16.3 billion, partly offset by debt inflows of USD 8.3 billion.

Rupee Recorded Depreciation



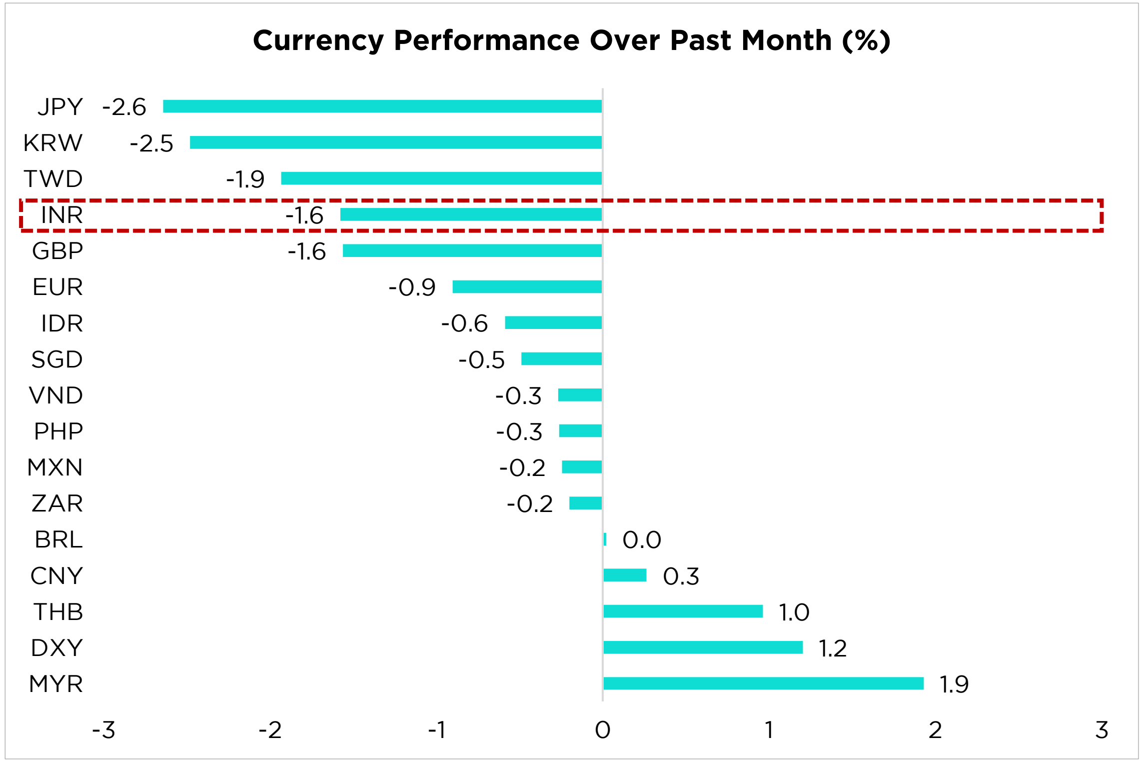
Source: Refinitiv, CareEdge. Data as of 24 November



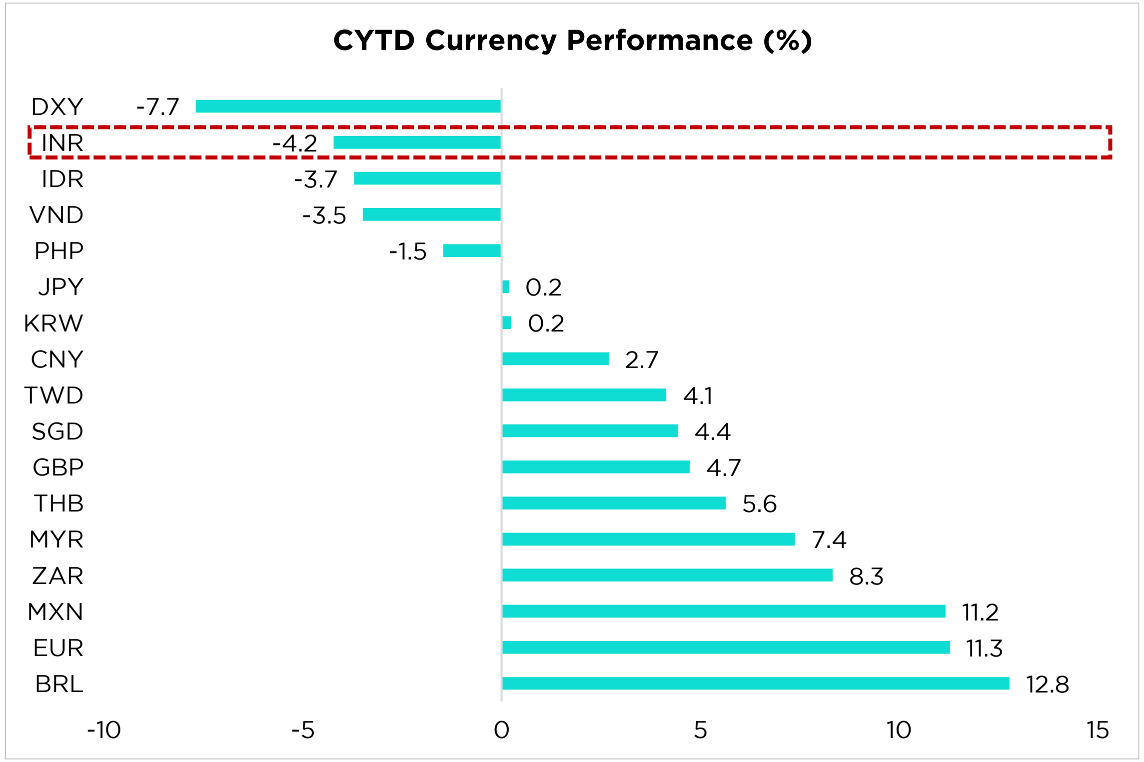
Source: CMIE, CareEdge

- The rupee depreciated by 1.6% against the dollar over the past month. The depreciation was largely driven by a delay in the US-India trade deal, weak equity FPI flows and widening trade deficit.
- However, RBI's intervention and prospects of inclusion of Indian bonds in the Bloomberg Global Aggregate Index supported the rupee.
- On a REER basis, the rupee is undervalued, suggesting some scope for appreciation in the medium term.
- We forecast FY26-end USD/INR around 87, underpinned by expectations of a Fed rate cut, a firm yuan, a manageable CAD, and expectations around the US–India trade deal.
- We expect CAD to remain manageable at 1% of GDP in FY26, supported by better-than-expected export growth because of front-loading and healthy services exports.
- The RBI is expected to intervene to contain any currency volatility, supported by a comfortable FX reserve position of around USD 693 billion.

Global Currency Trends



Source: Refinitiv, CareEdge. Data as of 24 November. Note: Negative values imply currency has weakened. DXY measures the dollar's performance against a basket of currencies, while the performance of other currencies is measured against the USD



Source: Refinitiv, CareEdge. Data as of 24 November

- Japanese yen has weakened over the past month, largely due to expectations of fiscal expansion following the election of a new Prime Minister.
- The dollar index has appreciated by 1.2% over the past month as the US shutdown ends.
- However, dollar index continues to remain down about 7.7% CYTD, owing to medium-term uncertainties around US trade policy and fiscal concerns.
- The yuan has strengthened following the US-China trade deal.

CareEdge Forecasts

Economic Growth
GDP growth projected at **6.9%** in FY26

Inflation
Average CPI inflation projected at **2.1%** in FY26

Current Account Deficit
CAD (as % of GDP) projected at **1%** in FY26

Fiscal Deficit
Fiscal deficit (as % of GDP) budgeted at **4.4%** in FY26

Interest Rates
10-Year G-Sec Yield to range between **6.3%-6.5%** by end-FY26

Currency
USD/INR projected to trade **~87** by end-FY26

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