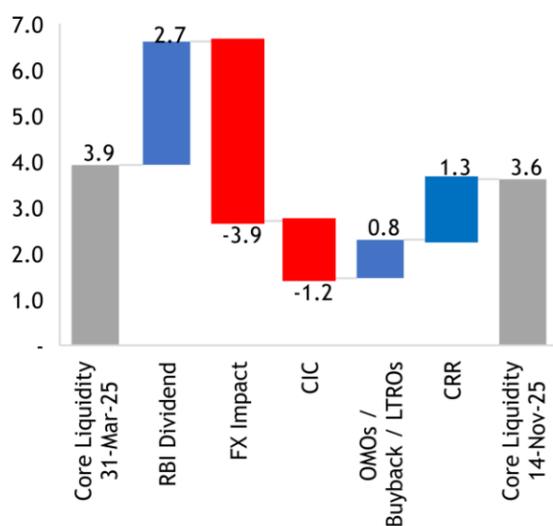


Fig. 1: Drivers of Liquidity during FY26TD*; (Rs. In Lakh Crore)



*Data available till 14th Nov'25
Source: RBI, UBI Research

Global rates moved with a softer bias this week as weaker US data pushed Treasury yields lower and boosted expectations of a December Fed rate cut, with CME probabilities rising to ~80%. JGBs remained stable as markets digested Japan's fiscal package and the BOJ's gradual-normalisation signals.

In India, the 10-year benchmark stayed steady amid strong auction demand even as market participants remained cautious on ultra-long duration. Domestic liquidity stayed in surplus but tightened due to tax outflows and FX-related drains, with call rates nudging toward the upper end of the corridor. The rupee's breach of 89/USD and a firm Dollar Index prompting increase in expectations of sizeable OMOs to offset FX impact. Rising INR volatility, amid a Goldilocks scenario of robust GDP growth and low inflation, is limiting the degrees of freedom of MPC's policy decision. RBI Governor Sanjay Malhotra reiterated that India's current macroeconomic conditions "have opened up policy space for further supporting growth," noting that the MPC had already indicated in October that scope exists for additional rate cuts. On Balance, our call is of a rate cut in December in a divided market. More importantly, we expect further steps to provide relief to bond market via verbal intervention (already started) and steps like OMO announcements (Rs.1-2 lakh crore in coming months).

Softer US data pulls 10-year Treasury yields lower:

- US 10-year yield eased to 4.05%, supported by weaker retail sales and soft labour data that strengthened expectations of Fed rate cuts in early 2026. Revised inflation estimates also pointed to slower price momentum, helping push yields slightly lower through the week.
- According to the CME FedWatch Tool, the probability of a 25 bps rate cut in the December FOMC meeting has climbed to ~80%. That shift reflects growing conviction that the Fed is likely to deliver another move lower, even as holiday-thinned trading keeps volatility muted.

JGB Yields stay stable as BoJ signals slow, steady normalization:

- Japan's 10-year JGB yield held near 1.80% (last seen in Jun 2008), with markets digesting the newly announced fiscal package and its potential impact on bond issuance. Comments from BOJ officials indicating a "gradual normalization" path helped temper any sharp moves in yields.
- Softer U.S. yields offered a tailwind for JGB demand, though domestic life insurers remain cautious on long-duration. The yield curve saw only minor movements, with slightly steeper long-end pricing as investors incorporate measured BOJ tapering.

India 10 year steady on strong demand:

- The 10-year G-Sec traded in a tight range (~6.52%-6.55%), aided by a well-subscribed government auction and consistent domestic investor demand. Fiscal discipline signals and a neutral RBI policy view helped anchor long-end yields, despite currency pressures.
- Friday's auction drew strong interest, especially in the Rs.180 bn 7.09% 2074 gilt, where pension funds and insurers dominated demand. The RBI set the cut-off price at Rs.96.07, above the market's expectations. Market participants noted that Rs.20-30 bn of this bond was picked up for forward-rate-agreement (FRA) positions, while the cut-off yield of 7.39% offered an attractive ~90 bps spread over the 10-year benchmark.
- Traders remained cautious on ultra-long duration due to recent losses (30 year paper topping 7.31%) and low liquidity, shifted preference toward the more liquid 15-year 6.68% 2040 bond, which gained during the day.

Liquidity surplus narrows slightly on Tax Outflows and Fx Activity:

- Liquidity has improved during Nov'25 with an average surplus of Rs.1.94 lakh crore vis-à-vis an average surplus of Rs.0.86 lakh crore during Oct'25. Since the effective date of CRR cut (06th Sep'25) the Fx impact (Rs.2.64 lakh crore) on liquidity has ousted the CRR cut infusion (Rs.1.66 lakh crore) with last & fourth tranche being due for implementation from 29th Nov'25.

Table 1: Drivers of Change in Core Liquidity since CRR cut became effective (Rs. In Lakh Crore)

Change in Core Liquidity (from 05 th Sep'25 to 14 th Nov'25)		(1.05)
Drivers of Core Liquidity (From 05 th Sep'25 to 14 th Nov'25)	Fx Impact	(2.64)
	OMOs	0.27
	CIC	(0.34)
	CRR	1.66

Source: RBI, UBI Research

- The credit growth of 11.3% (as of 31st Oct'25) has been above deposit growth of 9.7% (as of 31st Oct'25) created a Credit-Deposit gap of 157 bps which has narrowed over the fortnight from 194 basis. Hence, structural liquidity have continued to remain in deficit.
- System liquidity remained in surplus (~Rs.1.49 lakh crore) but tightened compared to the prior week, driven by GST outflows, advance tax payments and Fx impact. Uptake in RBI's 7-day VRR was low, underscoring that banks still had ample liquidity despite these drains. Call money rates moved toward the upper band of the LAF corridor, reflecting short-term friction rather than a structural squeeze.

INR slide past Rs.89/\$ raising expectations of OMOs:

- The rupee breached 89/\$, prompting intervention in the spot and forward market draining short term rupee volatility, pulling back some of the surplus in money markets, pushing short term rates higher.
- We estimate additional OMOs of atleast Rs.0.7 lakh crore; however, further spot intervention to limit Fx pressures in recent trading sessions and maturing forward covers in next 6 months may intensify the FX-related liquidity drain, taking the required OMO amount to Rs.1.0-2.0 lakh crore.

Table 2: Drivers of Core Liquidity

INR Lakh Crore	Systemic Liquidity Balance	Govt. Balance with RBI	LTRO	Core Liquidity	Fx Impact	OMOs	LTROs	RBI Dividend	CIC	CRR
FY26 YTD	2.31	1.31	-	3.61	-3.91	2.67	-1.83	2.69	1.25	-1.32
FY 26 Est.	2.54	0.75	-	3.29	-3.91	3.35	-1.83	2.69	2.60	-1.66

Source: RBI, UBI Research
FY 26YTD Data till 14th Nov'25

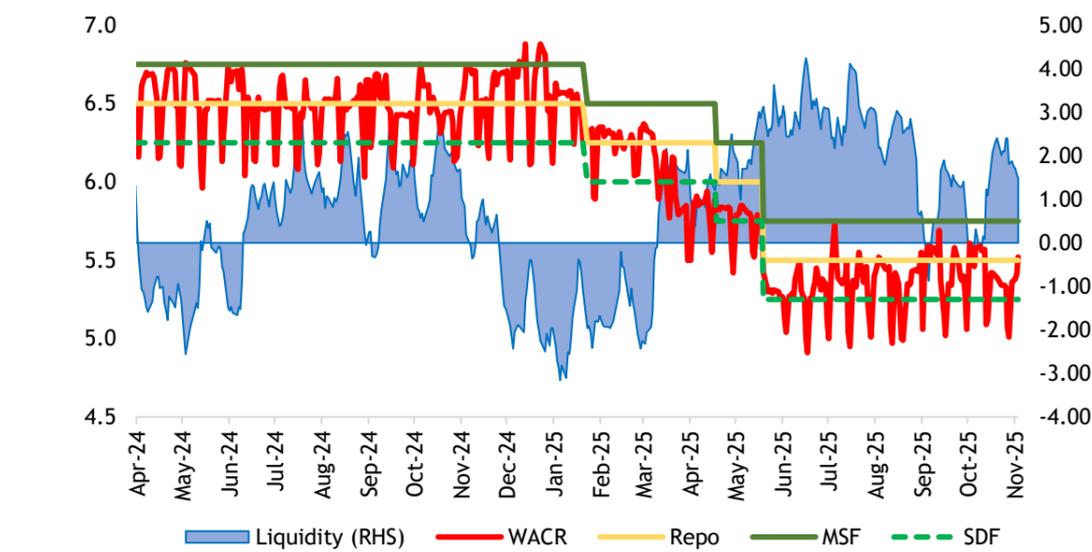
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Table 1: Market Snapshot Instrument	Yield (Nov 21)	Weekly Change	Commentary
10 Year G-Sec (6.33% GS 2035)	6.52%	+3 bps	Range bound trade
1 Year T-Bill	5.55%	+1 Bps	System liquidity improved in Nov'25
US 10 year Yield	4.06%	-9 bps	Fed rate cut expectations in Dec meeting has gone up ~ 69%
Credit Growth (%) (as of 31 st Oct'25)	11.3%	-14 bps	Credit & Deposit growth increased on fortnight basis and the gap narrowed
Deposit Growth (%) (as of 31 st Oct'25)	9.7%	+23 bps	
Credit Deposit Wedge (bps) (as of 31 st Oct'25)	157	-37 bps	

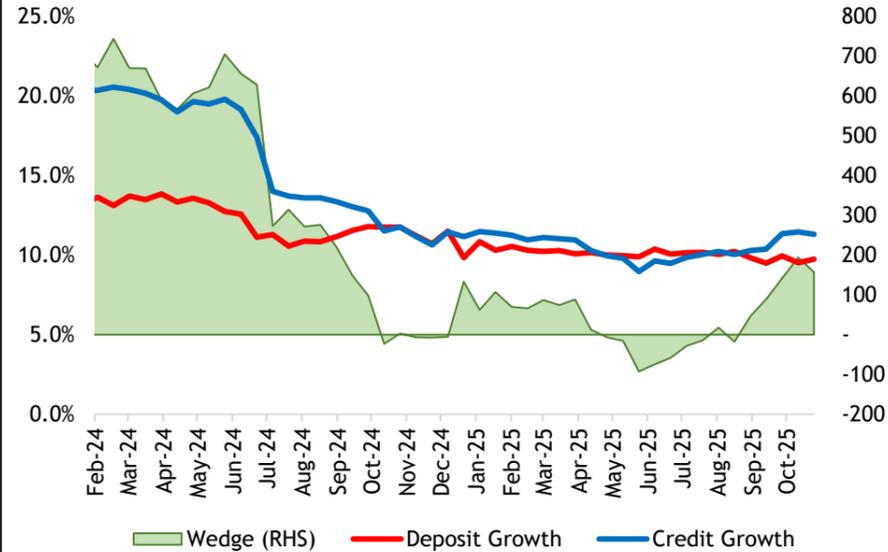
Source: RBI, CCIL, UBI Research

Fig.2: WACR moved up while managed to stay in the corridor; (%)



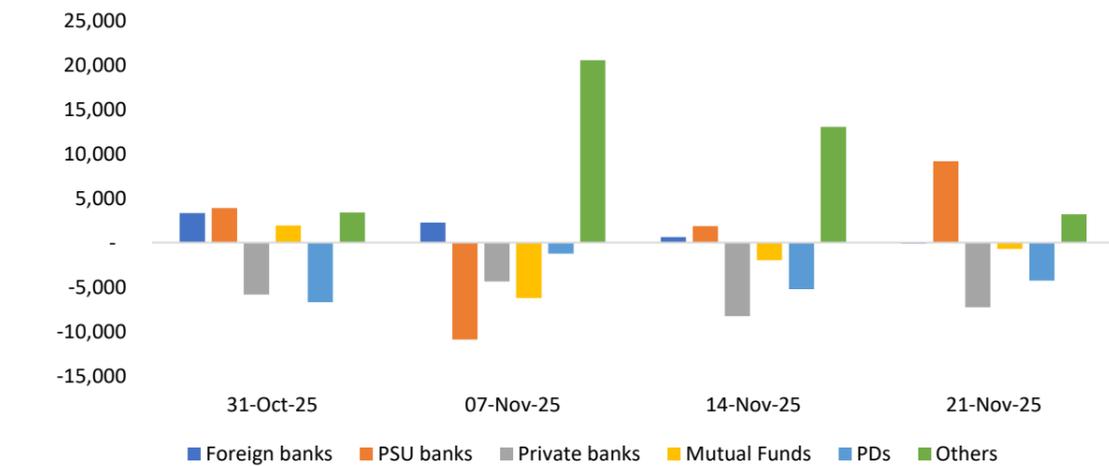
Source: Bloomberg, CEIC, UBI Research

Fig.3: Credit Deposit Gap narrowed at ~150 bps in fortnight ending 31st Oct



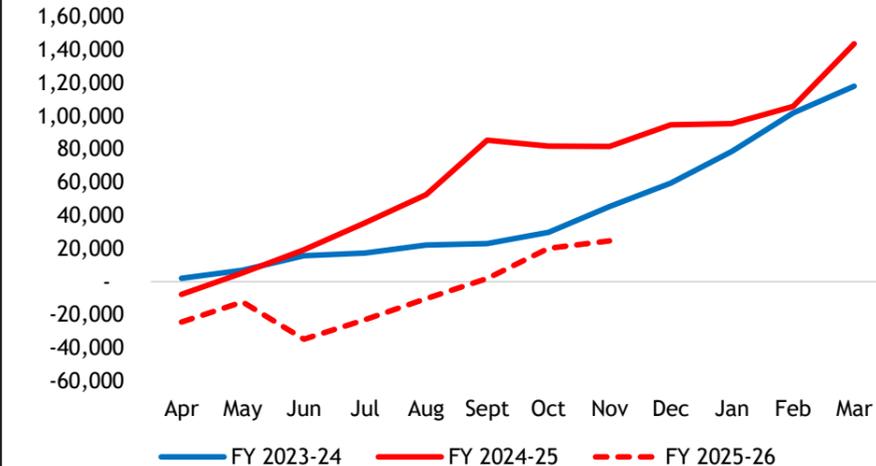
Source: CEIC, UBI Research

Fig.4: Others category in Market Activity spiked during Nov'25; (Rs. In Crore)



Source: Bloomberg, UBI Research

Fig.5: Cumulative FPI flows under Debt Segment; (Rs. In Crore)



Source: NSDL, UBI Research

Table 3: Fixed Income tracking Heatmap

Fixed Income Heatmap	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25
Growth																				
PMI Manufacturing (YoY Gr%)	58.80	57.50	58.30	58.10	57.50	56.50	57.50	56.50	56.40	57.70	56.30	58.10	58.20	57.60	58.40	59.10	59.30	57.70	59.20	57.40
PMI Services (YoY Gr%)	60.80	60.20	60.50	60.30	60.90	57.70	58.50	58.40	59.30	56.50	59.00	58.50	58.70	58.80	60.40	60.50	62.90	60.90	58.90	59.50
GST Collection (YoY Gr%)	12.42	9.96	7.63	10.28	9.99	6.47	8.92	8.54	7.26	12.29	9.09	9.89	12.58	16.39	6.20	7.50	6.49	9.11	4.59	
Govt Expenditure (YoY Gr%)	39.26	-37.87	-18.42	0.12	20.94	2.63	31.65	3.63	22.15	12.43	-17.66	9.65	9.95	40.26	37.39	3.35	-9.88	-7.99		
Vehicle registrations (% y/y)	26.93	3.48	1.62	14.21	3.37	-7.40	33.66	13.88	-11.43	7.75	-5.32	0.70	3.44	6.11	5.42	-3.47	3.28	5.67	40.82	
Exports (% y/y)	14.97	10.95	3.27	-5.25	-14.09	-0.96	16.59	-5.34	-1.53	-2.64	-10.86	0.85	-3.80	-1.23	-1.34	13.35	6.12	6.75	-11.80	
Imports (% y/y)	11.08	7.35	5.25	11.91	10.44	8.29	3.45	16.75	2.75	10.66	-14.81	12.13	19.99	-1.33	-3.41	8.58	-10.10	16.71	16.64	
Inflation																				
CPI (Y-o-Y Gr%)	4.83	4.80	5.08	3.60	3.65	5.49	6.21	5.48	5.22	4.26	3.61	3.34	3.16	2.82	2.10	1.61	2.07	1.44	0.25	
Core CPI (Y-o-Y Gr%)	3.23	3.12	3.14	3.39	3.40	3.49	3.67	3.64	3.58	3.67	3.99	4.10	4.11	4.24	4.41	4.12	4.11	4.27	4.40	
Transmission																				
Bank Credit (YoY Gr%)	19.21	20.72	17.40	13.71	14.03	12.34	11.80	11.16	11.16	12.54	12.26	11.03	10.09	8.96	9.48	10.04	10.12	9.80	11.98	
Bank Deposits (YoY Gr%)	12.56	14.02	11.12	10.57	12.72	10.38	11.50	11.25	9.83	12.06	12.01	10.28	9.79	9.89	10.06	10.17	9.31	8.28	10.83	
C-D Ratio (%)	79.90	79.90	79.70	79.70	78.80	79.60	79.80	79.90	80.80	80.70	80.80	81.10	80.10	79.30	79.30	79.60	79.30	80.60	80.50	
WALR O/s Rupee Loans (%)	9.81	9.81	9.89	9.89	9.89	9.88	9.88	9.87	9.86	9.87	9.80	9.77	9.68	9.67	9.44	9.38	9.32	9.26		
WALR Fresh Rupee Loans (%)	9.55	9.39	9.32	9.40	9.41	9.37	9.54	9.40	9.25	9.33	9.40	9.35	9.26	9.20	8.62	8.81	8.74	8.50		
WADR O/s (%)	6.97	6.99	7.00	7.00	7.01	7.04	7.04	7.06	7.08	7.09	7.10	7.11	7.11	7.07	7.00	6.92	6.87	6.82		
WADR Fresh (%)	6.49	6.49	6.49	6.51	6.49	6.57	6.47	6.47	6.60	6.62	6.55	6.72	6.34	6.11	5.75	5.61	5.56	5.60		
MCLR 1 Year - Median	8.85	8.79	8.85	8.85	8.90	8.95	8.95	9.00	9.00	9.00	9.05	9.00	9.00	8.95	8.90	8.75	8.60	8.60	8.55	

Source: CEIC, UBI Research

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