Debt Outlook

Global Debt Outlook

USA

10Y yield:
Yields increased from 4.019 (as on 28th Nov) to 4.14 (as on 08th Dec)

Inflation:
Inflation (PCE Index) increased to 2.8% in September, from 2.7% in August

Fed stance:
Cautious and data dependent, balancing between inflation uptick and weak job market data

China

10Y yield:
1.860, increased from 1.832 in the previous month

Inflation:
Inflation numbers stood at 0.2% year on year, from -0.3% in the previous month

PBOC stance:
Accomodative

Japan

10Y yield:
1.956 (as on 08th Dec), increased from 1.807 in previous month

Inflation:
3.0%, increased from 2.9% in September

BOJ stance:
Paused hikes, cautiously adjusting bond purchases

Eurozone (Germany)

10Y yield:
2.8001, increased from 2.69 in previous month

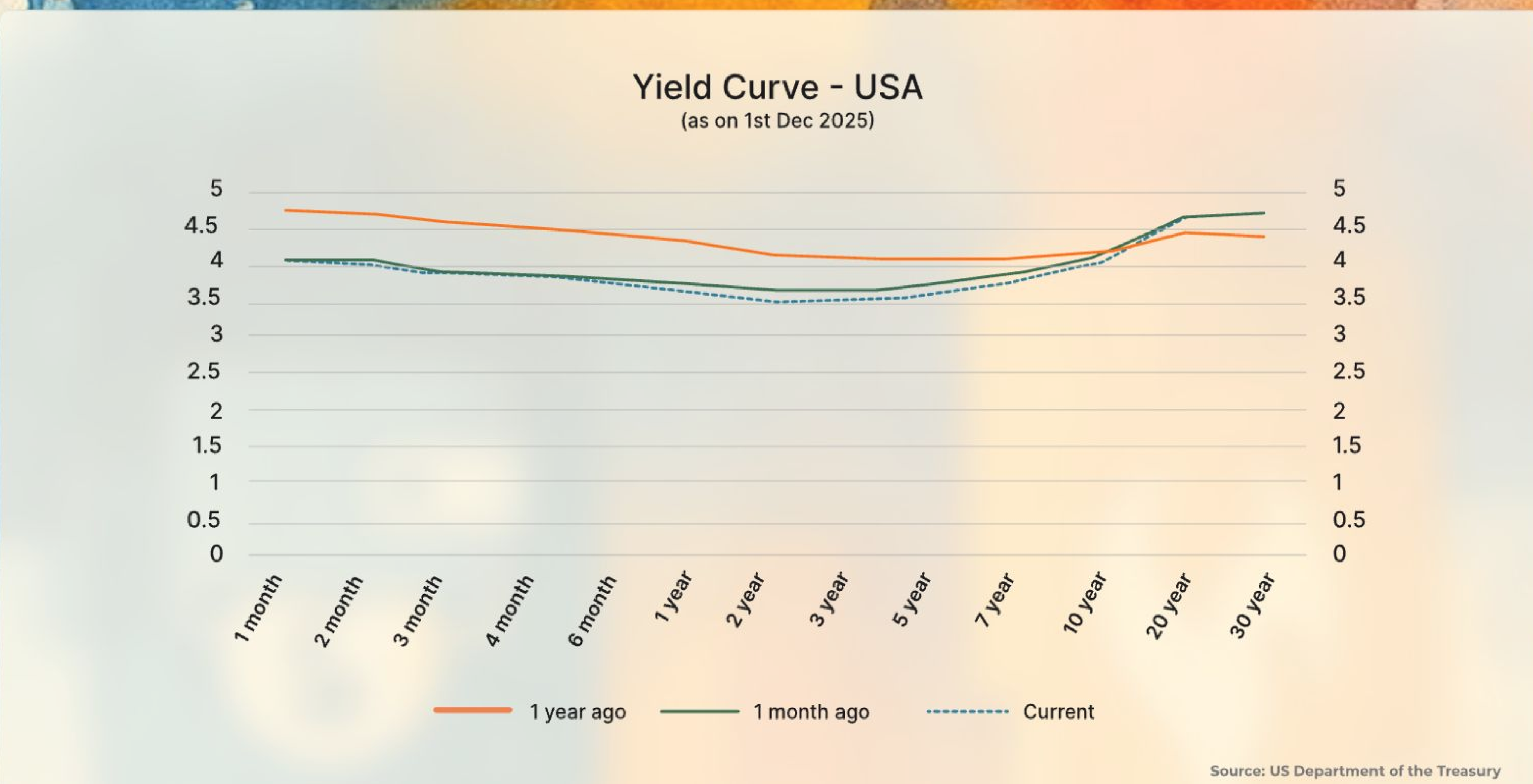
Inflation:
2.1%, slight uptick from the long term target of 2%

ECB stance:
Decisions to be based on further data dependent changes

Global Debt Outlook

Short-term yields

At the front end of the curve, yields have slipped as markets price in an **89% chance of a rate cut at Fed's December meeting, reinforced by cooling labour-market signals**. The ADP report showed a **32,000 job decline**, echoed by alternative data from Revelio Labs amid the government's shutdown-related absence of official releases. These weaker proxy indicators pushed short-end yields lower. Expectations of a more dovish policy path have also strengthened as markets increasingly price in **Kevin Hassett as the likely next Fed Chair**, further weighing on short-tenor yield.



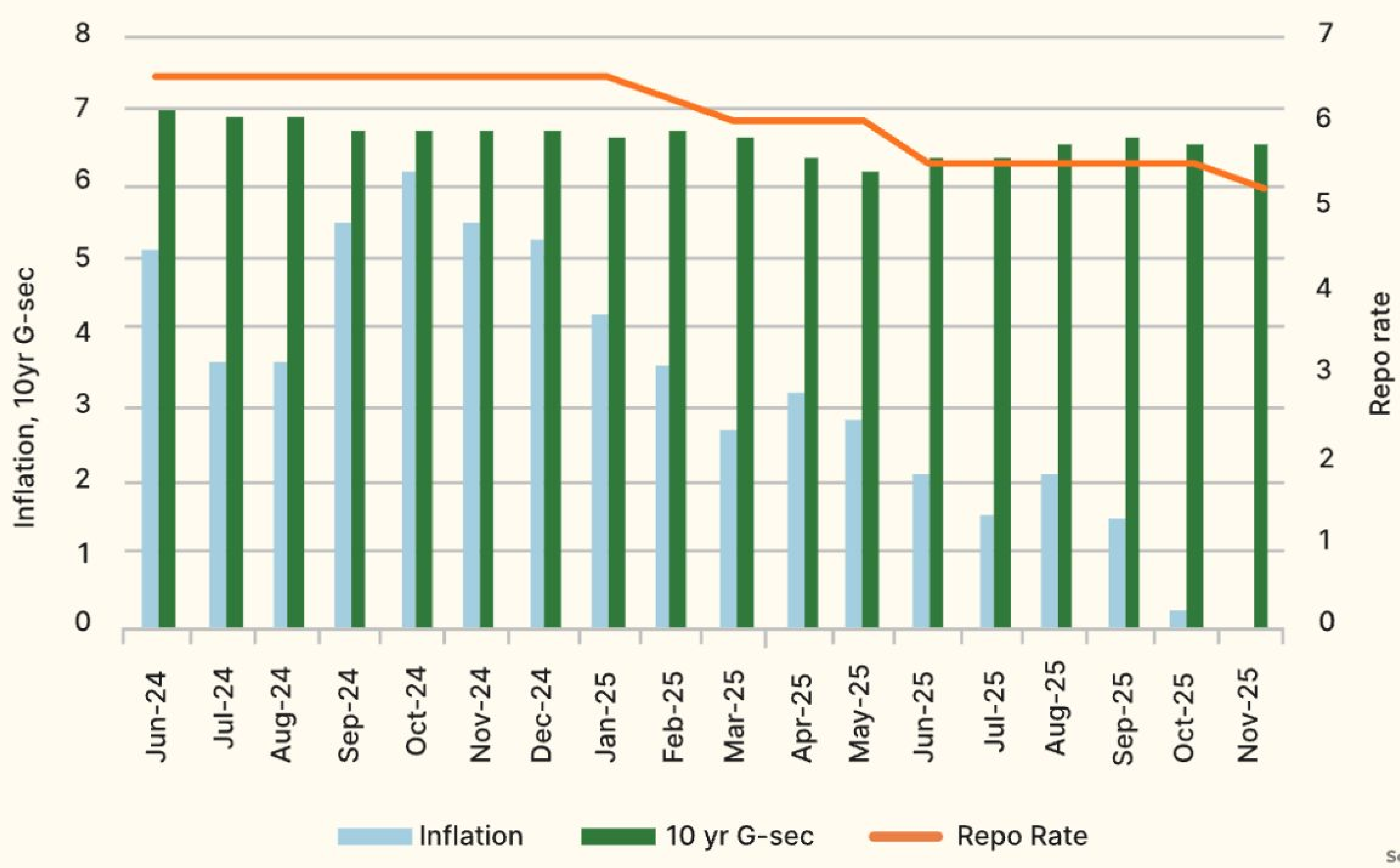
Long-term yields

At the long end, yields have eased modestly but remain relatively elevated. **Strong GDP growth of 3.80% signals that economic momentum remains robust, while persistent inflationary pressures are preventing a sharper decline in long-term yields.** Additionally, the recent increase in Japanese government bond yields (10 yr, 20 yr and 30 yr bonds) might **narrow the yield differential between U.S. Treasuries and Japanese bonds**. This reduction in relative returns may prompt reversal of Japanese investments in U.S. Treasuries in favour of Japanese bonds, placing further upward pressure on long-end yields and keeping them elevated.

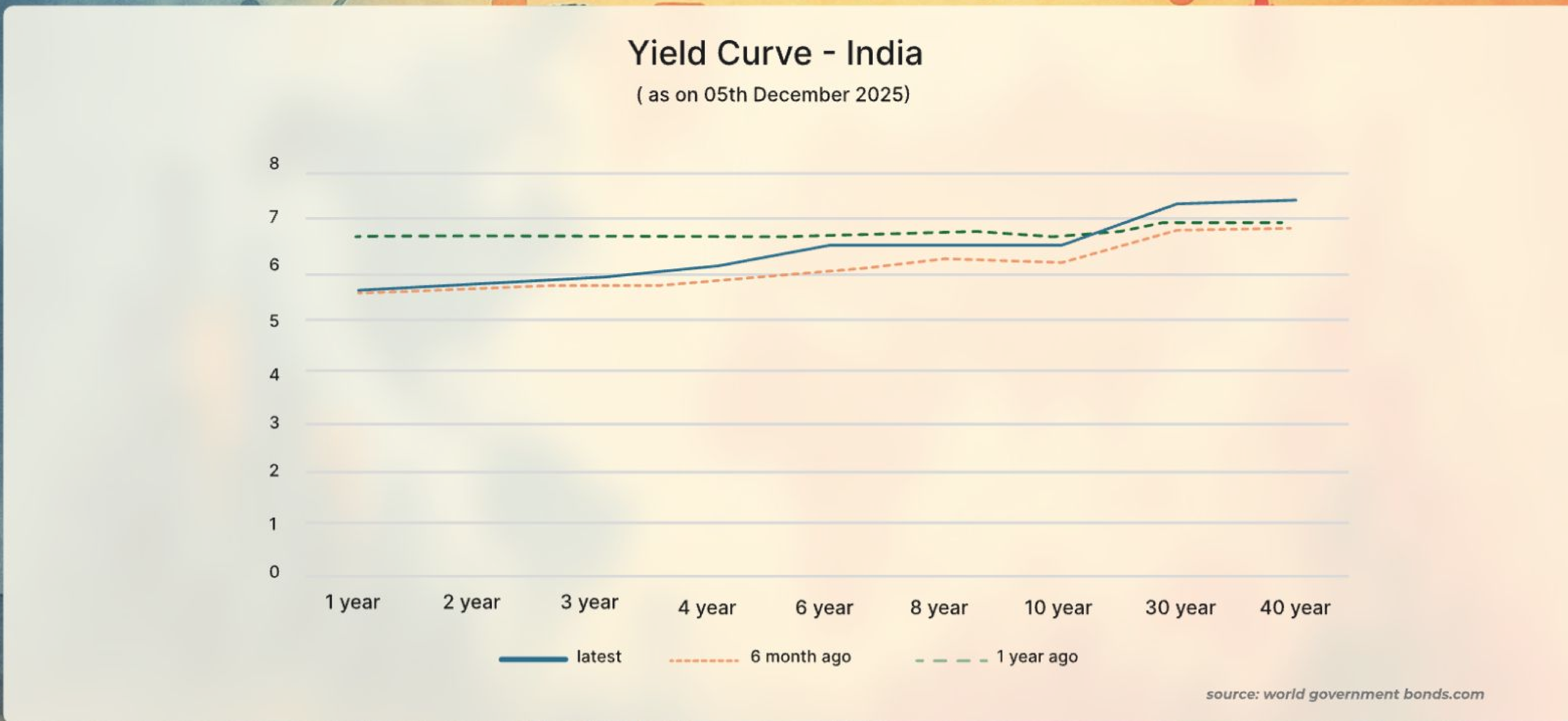
Indian Debt Outlook

Over the past year, India's 10-year G-Sec yield has declined from around **6.85% in September 2024 to approximately 6.49% in November 2025**, largely reflecting the sharp disinflation trend. In its December policy meeting, the **RBI cut the repo rate by 25 bps to 5.25%, citing a softer inflation outlook and resilient domestic growth, supported by robust consumer demand,** which provided the central bank room to ease rates.

Ample banking system liquidity has further supported short-term rates and overall yield stability. The combination of policy easing and abundant liquidity is expected to accelerate credit flow, particularly to the commercial sector thereby supporting both investment and consumption.



Source: RBI, Investing.com



Short term yields

The front end of the yield curve saw a mild decline post RBI's policy announcement, reflecting the market's split expectations going into the meeting. While most participants anticipated **a rate cut**, many also expected the RBI to **adopt a more dovish stance**, which did not materialise as the central bank instead retained a neutral posture. Over the past six months, **short-tenor yields** have remained well-anchored due to the **disinflation trend**, with the recent **CPI print for October 2025** at 0.25%.

The central bank's recent liquidity-supportive moves, particularly the **₹1 lakh crore OMO purchase programme** are likely to **pull short-term yields lower** in the coming month, provided inflation remains benign and liquidity stays in surplus.

Long-term yields

At the long end, yields have been nudged higher by a stronger growth outlook, with better-than-expected **8.20% Q2 GDP print** and the **RBI's upward revision of growth forecasts across all quarters.** External factors have also supported yield resilience: **the recent depreciation of the rupee has revived concerns about imported inflation while tariff-related uncertainty continues to cloud the medium-term inflation path.** Together, these factors have kept long-term yields firm despite the broader disinflation trend.

Debt In-house View

In its December meeting, the RBI delivered a 25-bps rate cut, taking the repo rate to 5.25% while maintaining a neutral stance. The decision reflects continued confidence in resilience of domestic demand, supported by strong consumption and an improving investment environment.

Inflation is on record lows at 0.25% in October 2025 on the back of softening food inflation, which have helped keeping yield anchored. At the long end, pressures from a depreciating rupee and government borrowing plans are likely to keep yields sticky, while these factors may lead to adjustments at the shorter end.

Globally, front-end U.S. Treasury yields have drifted lower as markets price in a high probability of a Fed rate cut in December, supported by cooling labour-market. Meanwhile, long-end U.S. yields remain elevated: amid firm GDP growth, lingering inflation pressures, and heavy Treasury issuance.

Given these evolving policy dynamics, a strategy that seeks selective opportunities in the short- to medium-end of the curve including selective credit calls, while exercising caution across long-dated exposures, remains prudent.