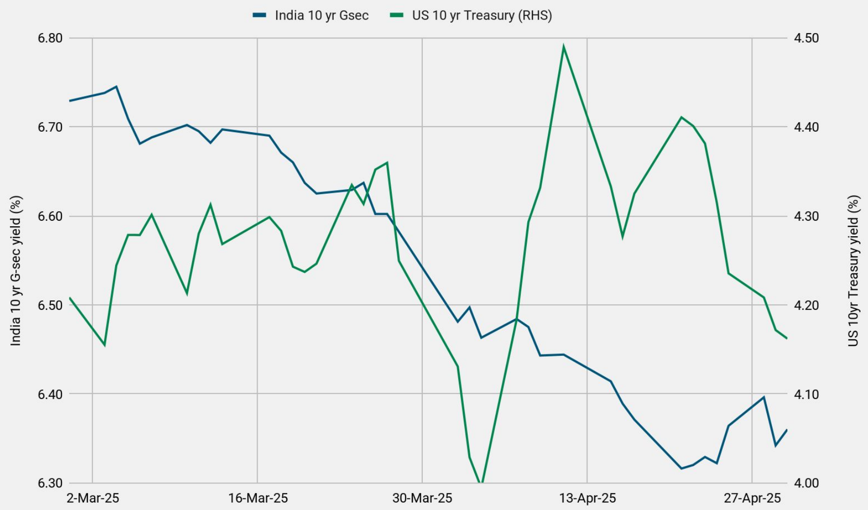
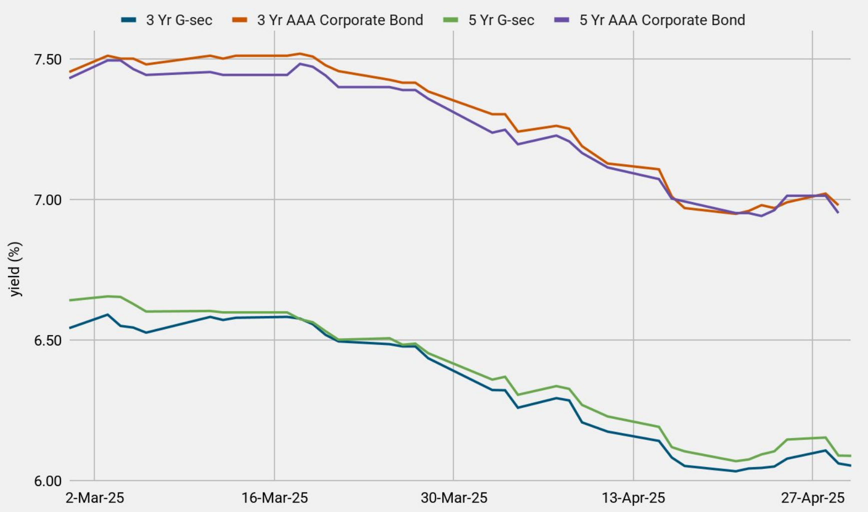
Monthly Debt Market Snapshot – April 2025

Key indicators	30-Apr-25	28-Mar-25	change
10 Yr GOI Bond	6.36%	6.58%	▼ 23 bps
10 Yr US Treasury	4.16%	4.25%	▼ 9 bps
Call Rate	5.94%	7.12%	▼ 118 bps
T-Repo	5.95%	6.23%	▼ 28 bps
91 Day T-Bill	5.89%	6.34%	▼ 45 bps
3 M CD	6.52%	7.00%	▼ 48 bps
3 M CP	6.75%	7.25%	▼ 50 bps
USD/INR	85.05	85.58	▼ 0.53
DXY	99.47	104.04	▼ 4.58

Benchmark Bond Yields: India Eases While US Sees Volatility

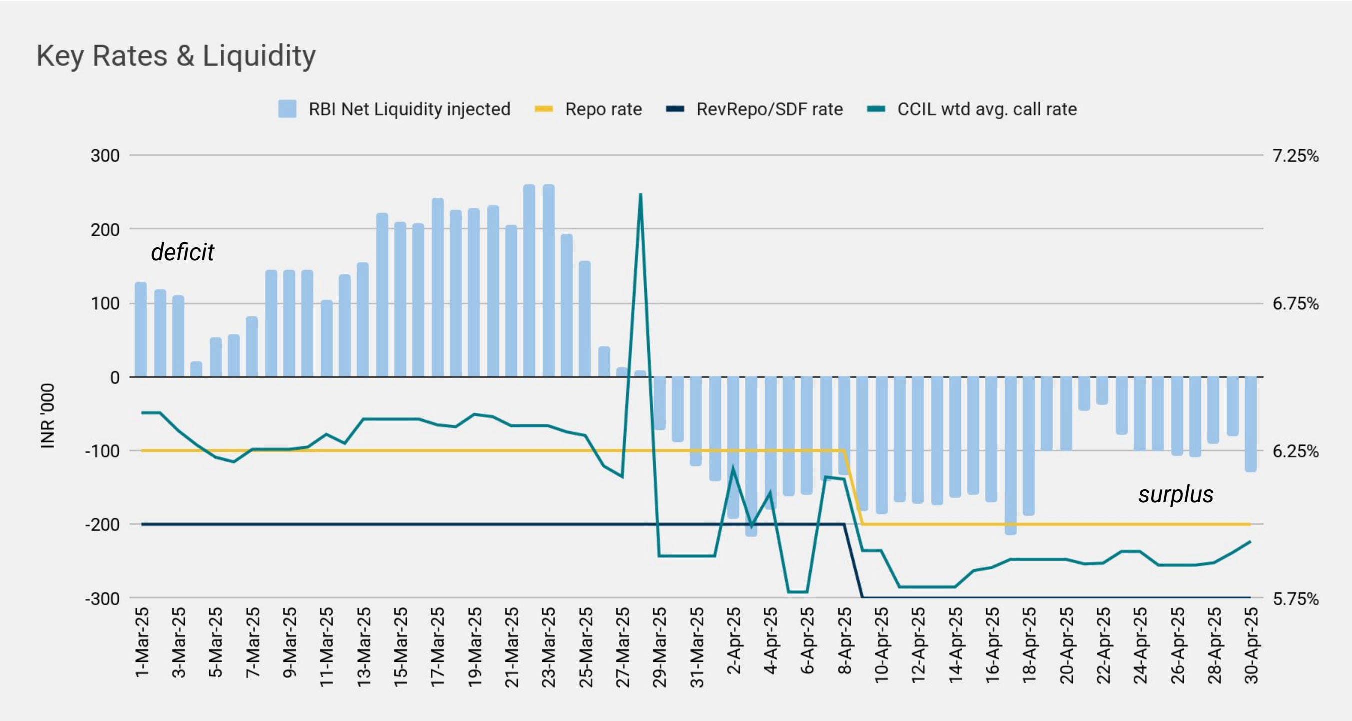


Bond Yields Fall Sharply Across Tenors in April 2025



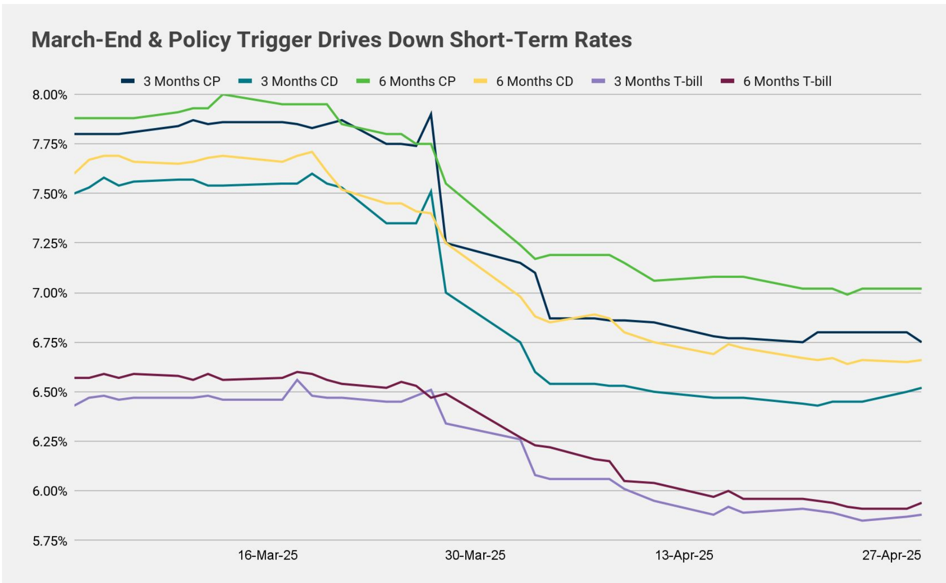
- Domestic bond yields witnessed a sharp decline in April, with the 10-year benchmark yield falling by 23 basis points — marking the steepest monthly drop since March 2020.
- The first half of the month saw a steady easing in yields, driven by the Reserve Bank of India's dovish policy tone and strong expectations of sustained liquidity support, which kept investor sentiment buoyant.
- Although the fourth week brought minor fluctuations due to geopolitical concerns, yields remained stable around 6.36% as investor confidence stayed firm.
- In the final days of the month, the yield edged lower further on the back of the RBI's announcement of fresh bond purchases for May, reinforcing optimism in the debt market.
- India's ability to sustain monetary easing amid global and regional uncertainties will be closely watched, as it seeks to strike a delicate balance between domestic economic stability and geopolitical caution—potentially setting a benchmark for emerging economies navigating similar challenges.
- Alongside the decline in government bond yields, corporate bond yields also softened in April, reflecting improved investor appetite for credit instruments.
- The easing of the 10-year G-sec yield created a supportive environment for corporate bonds, particularly high-rated issuances, as investors sought better returns in a falling rate scenario.
- The spread between corporate bonds and government securities remained stable, reflecting improved investor confidence and continued demand for high-quality credit in a surplus liquidity environment.

Liquidity Check And Short-term Rates Movement



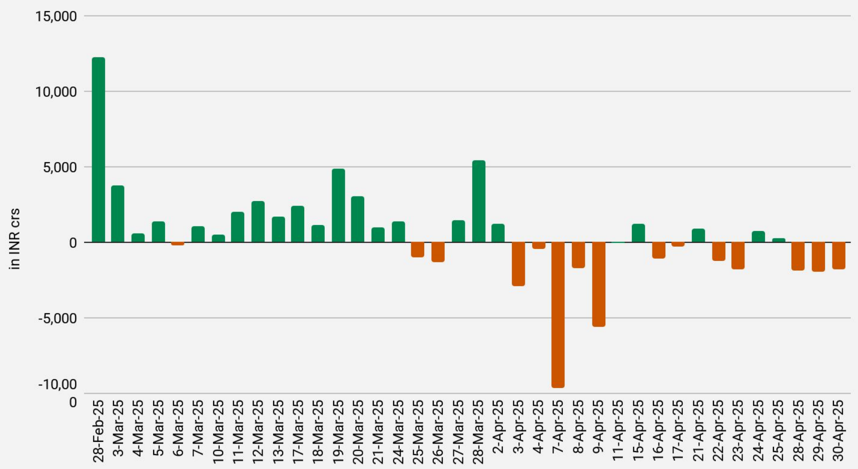
- Liquidity in the banking system improved sharply in April, turning net surplus after months of deficit. The average surplus stood at ₹1.39 lakh crore, a sharp reversal from March's average deficit of ₹1.24 lakh crore.
- The turnaround was driven by RBI's active interventions, including VRR auctions, along with increased government spending, which further eased liquidity pressures.
- The RBI conducted ₹1.20 lakh crore of OMO purchases in April, bought ₹1 lakh crore worth of government securities on-screen, and has announced ₹1.25 lakh crore of OMO auctions for May.
- Instead of reacting to short-term rate signals, the RBI now appears to be targeting a steady liquidity surplus (~1% of NDTL) to ensure smoother rate cut transmission.
- Short-term money market rates declined significantly in April 2025, following the RBI's rate cut and liquidity easing measures.

RBI steps to infuse liquidity	Fund infused (in crore)
OMO PURCHASE (since 30-Jan)	₹ 3,64,561
Daily VRR since 16th Jan	₹ 63,25,000
Long Term VRR since 13th Dec	₹ 15,58,742
Screen-based bond purchases in 2025	₹ 3,83,386
FX Swap ($5 billion 6 month)	₹ 44,000
FX Swap ($10 billion 3 years)	₹ 87,000
FX Swap ($10 billion 3 years)	₹ 85,000
OMO PURCHASE (in April)	₹ 1,20,000
OMO PURCHASE (in May)	₹ 1,25,000

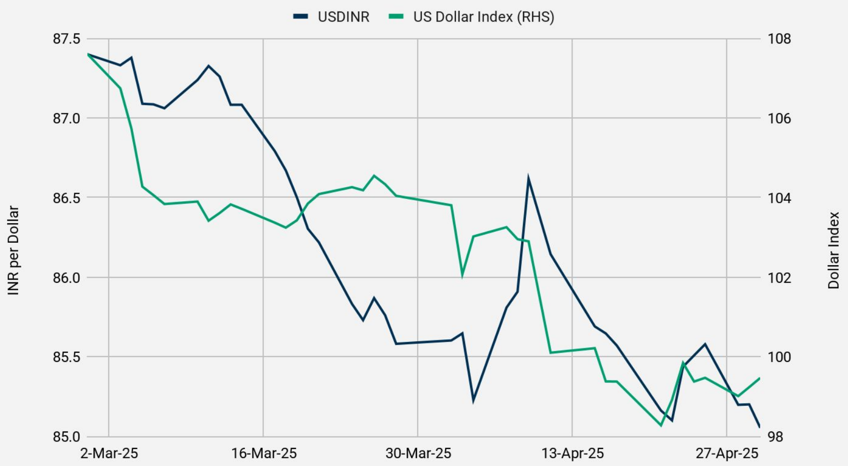


Key Market Trends

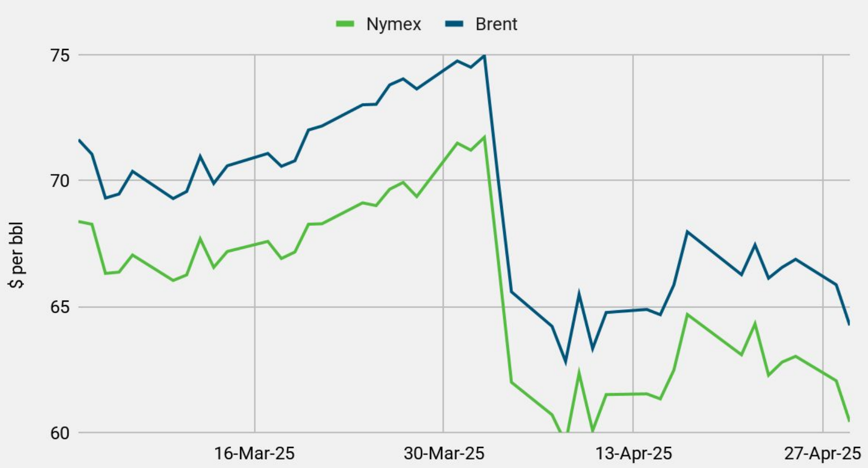
FPIs Exit Debt in April After Heavy Buying in March



INR Strengthens as Dollar Index Slips



Futures Price: Nymex and Brent Crude Oil



- Foreign Portfolio Investors (FPIs) turned net sellers in the Indian debt market in April 2025, withdrawing ₹26K crore, following a strong net inflow of ₹32K crore in March. This reversal reflects shifting global yield dynamics and profit booking after aggressive buying in the previous month.
- Additionally, the sell-off comes amid a narrowing spread between Indian and U.S. bond yields, reducing the relative attractiveness of Indian debt instruments.
- Despite RBI's accommodative stance, including bond purchases and surplus liquidity, FPIs remained cautious due to global rate volatility and a stronger dollar.
- The data reflects a shift from aggressive yield-chasing in March to profit-booking and risk rebalancing in April by global investors.
- The Indian Rupee appreciated steadily against the U.S. Dollar in April 2025, strengthening from 87.33 to 85.05. This movement reflected strong domestic fundamentals, including a stable macroeconomic environment, robust forex reserves, and improved investor confidence in the Indian economy.
- The appreciation also coincided with a sharp decline in the U.S. Dollar Index, which fell from above 107 to below 100 during the same period. The dollar's weakness was driven by rising expectations of a Federal Reserve rate cut, softening U.S. economic data, and renewed tariff concerns that raised fears of global trade disruptions, prompting a shift away from the dollar across global markets.
- In April 2025, global crude oil prices recorded their sharpest monthly decline since November 2021, falling amid a combination of geopolitical uncertainty, economic slowdown fears, and evolving production strategies by major oil producers. Demand concerns intensified as indicators pointed to slowing industrial activity in China and muted growth prospects in Europe and the U.S., reinforcing the bearish sentiment in the oil market.

Mutual Fund Median Returns – Category-wise Performance

Category	Simple Annualised % (Point to Point) as on 30th April 2025						Compound Annualised % as on 30th April 2025		
	14 Day	1 Month	2 Month	3 Months	6 Months	1 Year	2 Year	3 Year	5 Year
Overnight funds	5.72	5.80	6.04	6.10	6.32	6.48	6.58	6.26	4.98
Liquid funds	5.80	7.07	7.49	7.38	7.20	7.25	7.23	6.77	5.40
Money Market funds	7.27	10.28	10.20	9.25	8.14	7.84	7.48	6.89	5.83
Ultra Short Duration funds	6.35	8.69	8.79	8.23	7.45	7.32	7.11	6.54	5.52
Low Duration funds	7.61	11.11	10.30	9.29	7.92	7.81	7.34	6.66	6.03
Floater funds	8.50	15.62	13.84	11.79	9.19	9.06	8.22	7.30	6.94
Short Duration funds	11.01	16.69	14.94	12.00	9.49	9.17	7.75	6.84	6.24
Medium Duration funds	11.99	18.10	16.50	12.93	10.05	9.71	8.11	7.11	7.15
Medium to Long Duration funds	15.01	21.60	21.03	15.06	10.60	10.64	8.14	7.25	5.80
Long Duration funds	26.79	26.54	30.72	18.63	11.50	13.06	9.65	8.80	6.36
Dynamic bond funds	18.48	23.89	24.13	16.31	10.89	11.19	8.57	7.51	6.35
Corporate bond funds	12.59	18.47	17.09	13.14	10.03	9.69	8.11	7.02	6.62
Credit Risk funds	10.73	15.26	13.78	11.12	8.93	9.17	8.05	7.44	7.80
Banking & PSU funds	11.86	17.68	16.85	12.81	9.69	9.37	7.76	6.83	6.53
Gilt funds	20.90	25.86	27.26	17.55	11.78	11.87	8.94	7.96	6.09
Arbitrage funds	6.51	8.72	7.78	7.23	7.21	7.17	7.34	6.58	5.36
Arbitrage fund FOF funds	9.69	13.40	14.73	8.01	8.91	9.38	8.73	8.33	8.09

- **Money Market and Low Duration Funds** emerged as the top performers in the sub-1-year segment, with 1-month returns of 10.28% and 11.11%, respectively, driven by efficient cash management and active duration positioning.
- **Overnight Funds,** as expected, remained the most stable, offering 5.80% over 1 month, suited for highly risk-averse investors with very short holding periods.
- **Arbitrage Funds,** though not fixed-income in structure, provided consistent short-term returns of 7.23%–8.72% across 1–3 month horizons, making them a viable alternative for investors seeking tax-efficient, low-volatility exposure in volatile equity environments.
- Over a multi-year horizon, **Long Duration, Gilt, and Credit Risk Funds** have delivered the strongest returns, with 3-year CAGR ranging from 7.4% to 8.8%, supported by falling interest rates and spread compression.
- **Arbitrage Fund of Funds** have delivered strong and stable returns over the long term, supported by steady arbitrage gains and accrual from underlying debt allocations. Their hybrid structure offers significant tax advantages when held for more than two years, making them an attractive low-volatility investment choice for conservative investors with a medium- to long-term horizon.

April 2025 was a month of quiet but meaningful shifts. **With bond yields easing and liquidity conditions improving, the RBI's supportive stance gave markets a much-needed breather.** While foreign investors pulled back from Indian debt, the Rupee held firm, and oil prices softened—offering some relief on the macro front. For investors, this translated into healthy gains across several mutual fund categories, especially those positioned in longer-duration and hybrid strategies.
As we step into May, the focus now turns to how these trends evolve—whether rate cuts accelerate, global pressures ease, and markets respond constructively.