

An In-Depth Analysis of Indian Capital and Commodity Mar

An In-Depth Analysis of Indian Capital and Commodity Markets: A Five-Year Retrospective (August 2020 - July 2025)

Executive Summary

The period from August 2020 to July 2025 was marked by significant shifts in India's financial and commodity markets, reflecting a complex interplay of domestic monetary policy, government fiscal strategy, and volatile global macroeconomic conditions. This report presents an exhaustive analysis of the trends and interconnections between key indicators: the yields on Indian Treasury Bills (T-bills) and the 10-year Government Security (G-sec), the USD/INR foreign exchange rate, and global Brent crude oil prices.

The analysis reveals that the short end of India's yield curve, as measured by T-bill yields, remained closely aligned with the primary market auctions, validating the robustness of the secondary market benchmark methodologies. A notable development has been the Reserve Bank of India's (RBI) strategic initiative to deepen the bond market through the RBI Retail Direct platform, which, while still in its nascent stages, represents a deliberate effort to diversify the investor base and provide an alternative, and potentially more stable, source of demand for government debt.

Long-term market sentiment, gauged by the 10-year G-sec yield, underwent a significant evolution. The widening spread between this benchmark yield and the RBI's repo rate in early 2025 emerged as a crucial forward-looking indicator. This divergence signaled that the bond market was pricing in an extended policy pause, driven by concerns about future inflationary pressures and a higher fiscal deficit, despite a low current retail inflation print. This highlights the critical role of the RBI's forward guidance and public communication in managing market expectations.

In the foreign exchange market, the Indian Rupee demonstrated resilience, underpinned by strengthening domestic fundamentals. A decrease in India's current account deficit, combined with a significant increase in foreign exchange reserves, provided a stabilizing anchor for the INR against the US Dollar. This domestic strength complemented external factors, such as the depreciation of the US Dollar against major currencies. The RBI's transparent data dissemination on these factors served as an effective form of indirect market management.

A pivotal external factor for India's economy was the global oil market. The report documents the volatility in Brent crude oil prices and incorporates the U.S. Energy Information Administration's (EIA) latest Short-Term Energy Outlook. The EIA's forecast for a substantial decline in Brent prices in late 2025 and early 2026 presents a significant macroeconomic tailwind for India. This projected price fall, driven by increased global supply, is expected to reduce India's import bill, improve the current account balance, and potentially provide the RBI with greater policy flexibility.

Ultimately, the analysis underscores a sophisticated and interconnected ecosystem where decisions in one market segment have cascading effects across others. The report concludes that India is positioned to benefit from a favorable global environment of declining oil prices and a strengthening domestic macroeconomic foundation, which could provide policymakers with the flexibility to navigate a challenging landscape of fiscal demands and long-term inflation expectations.

The Indian Government Securities Market: Trends and Monetary Policy Nexus

The Indian government securities market serves as a cornerstone of the country's financial system, providing a key mechanism for government borrowing and acting as a primary channel for the transmission of monetary policy. An in-depth examination of the yields on Treasury Bills (T-bills) and the benchmark 10-year Government Security (G-sec) reveals a detailed narrative of India's economic journey over the past five years.

2.1. Treasury Bills (T-bills) Yield Analysis

Treasury Bills are fundamental short-term debt instruments issued by the Government of India, typically with maturities of less than one year. These securities are zero-coupon instruments, meaning they pay no interest, and instead, are issued at a discount to their face value and redeemed at par upon maturity.¹ They are presently issued in three tenors: 91-day, 182-day, and 364-day, and are a crucial tool for the government to manage its short-term cash flow needs and for the central bank to manage market liquidity.¹

The credibility of the rates used to benchmark these instruments is of paramount importance. The Financial Benchmarks India Ltd. (FBIL) is the authorized entity for this purpose, and a working paper details its rigorous methodology for computing the benchmark rates. The benchmark is derived from secondary market trading activity on the electronic NDS-OM platform, and it considers a weighted average rate based on traded T-bills and executable orders.² To ensure data robustness and mitigate the impact of thin trading, the methodology imposes a minimum threshold of at least three trades and a trade value of at least ₹5 crore in each tenor bucket. The rates are further refined by removing outliers beyond three standard deviations, ensuring that the final benchmark is a true reflection of market sentiment.²

A statistical validation of this methodology further solidifies its credibility. A T-test conducted on the computed T-bill rates and the weighted average yields from primary auctions for the 91-day, 182-day, and 364-day tenors found no significant difference between the means and variances of the two samples.² This close alignment is a critical finding, as it confirms that the FBIL benchmark accurately reflects the price discovery process of the primary market, which is where the government sells its debt to the market.

While the complete five-year daily data is not available in the research material, snippets from FBIL newsletters provide valuable snapshots of the market's activity. The January 2025 newsletter, for instance, reported that the RBI had notified a total amount of ₹3,94,000 crore for the issuance of T-bills for the quarter spanning January 1, 2025, to March 31, 2025.³ This figure, when compared to the April 2021 newsletter which noted a total notified amount of ₹4,68,000 crore for the issuance of T-bills for the quarter ending June 2021⁴, provides a comparative measure of government's short-term borrowing needs over time. Additionally, the fragmented daily data points from a financial data provider, such as the India Treasury Bills 91-day implicit yield at cut-off at 5.839% on May 14, 2025, offer specific illustrations of the yield levels.⁵

Beyond the raw data, a significant trend has emerged in the short-term debt

market: the strategic push for retail participation. The RBI launched its retail direct platform in November 2021 to boost individual investment in government securities, and an analysis shows this effort is gaining traction.⁶ The platform, which allows for investments in T-bills via a Systematic Investment Plan (SIP) with a minimum requirement of ₹10,000, had nearly half a million users registered and 206,732 accounts opened as of July 2024.⁶ While experts have noted that the total number of registrations does not yet indicate strong participation, the initiative is a forward-looking step by the RBI to deepen and diversify the bond market.⁶ This policy action has the potential to introduce a new class of investors with different behavioral patterns than large institutions, which could, over time, alter the liquidity profile and yield discovery process, making the market more resilient to large-scale institutional shifts.

The comparative returns between T-bills and other "safe" investment options further highlight the evolving landscape for retail investors. An analysis cited in the research material reveals that T-bills in the 91-day and 182-day segments offered returns that were approximately 55 basis points higher than those on bank fixed deposits of similar maturities.⁶ This trend, where short-term government debt provides a yield premium over traditional bank deposits, directly influences the strategic choices of retail investors. From a central bank perspective, this is a clear demonstration of monetary policy transmission reaching a new class of participants. The potential for T-bills to attract deposits away from banks introduces a new consideration for the central bank, which must balance the goal of deepening the bond market with its broader mandate of maintaining financial stability and supporting credit growth through a healthy banking sector.

2.2. The 10-Year G-sec: A Barometer of Long-Term Sentiment

While T-bills reflect short-term liquidity and monetary policy actions, the benchmark 10-year G-sec is widely regarded as a forward-looking barometer of long-term economic and inflation expectations. Its yield is a crucial reference point for the pricing of a wide range of financial instruments, from corporate loans to mortgages.⁸

The trajectory of the 10-year G-sec yield over the five-year period illustrates the market's response to a series of macroeconomic developments. Fragmented data points from credible sources provide a coherent picture. A financial data provider's daily yield data, for instance, noted a record low of 5.76% in July 2020 and a recent

data point of 6.29% in May 2025.⁹ Quarterly data from the Federal Reserve Economic Data (FRED) provides a broader trend, showing the yield rising from 5.91% in the first quarter of 2021 to a high of 7.37% in the first quarter of 2023, before a gradual decline to 6.723% in the first quarter of 2025.¹⁰ An article from

Economic Times provides a recent data point, noting that the yield closed at 6.49% on a Tuesday in 2025, which was its highest level since early April of that year.⁸

A critical indicator of market sentiment is the spread between the 10-year G-sec yield and the RBI's repo rate. This spread widened to almost one percentage point in 2025, representing its largest gap of the year.⁸ This is in stark contrast to the spread of around 20 basis points that existed just before the central bank commenced its rate-cutting cycle.⁸ This widening gap is not merely a quantitative observation; it signifies a substantial divergence between the market's long-term outlook and the central bank's current monetary policy stance. The bond market is effectively demanding a higher risk premium for holding long-term government debt, a signal that market participants are pricing in an extended policy pause.⁸ This sentiment is rooted in concerns about future inflationary pressures and the potential for a higher fiscal deficit, which would increase government borrowing and put upward pressure on yields.⁸

This market behavior highlights the nuanced nature of the central bank's communication strategy. Despite India's retail inflation falling to an eight-year low of 1.55% in July, well below the central bank's target of 4%, the bond market did not expect an immediate rate cut.⁸ This is because the RBI had retained a 'neutral' monetary policy stance and projected that inflation would climb towards the end of the fiscal year.⁸ The absence of a "dovish stance" from the central bank, even in the face of a low current inflation print, is a deliberate strategy to anchor long-term expectations. The bond market, in turn, is interpreting this as a strong signal that the RBI is prioritizing future stability over reacting to a single, favorable data point. This confirms that the central bank's forward guidance and the language accompanying its policy statements are critical tools for shaping market expectations and, consequently, the yield curve. The market's reaction, as evidenced by the widening spread, is a direct response to this transparent communication, demonstrating a sophisticated feedback loop between policy signaling and investor behavior.

This concludes our in-depth analysis of the Indian government securities market, a fundamental element of the financial landscape.

Table 1: Key T-bill Auction Data (Q2 2021 and Q1 2025)

This table juxtaposes government borrowing activity and market rates over a four-year period, derived from FBIL newsletter snapshots.

Period	Notified Amount (91-day T-bills)	Notified Amount (182-day T-bills)	Notified Amount (364-day T-bills)	Total Notified Amount
Q2 2021 (Apr-Jun)	₹1,95,000 Crore ⁴	₹1,95,000 Crore ⁴	₹78,000 Crore ⁴	₹4,68,000 Crore
Q1 2025 (Jan-Mar)	N/A	N/A	N/A	₹3,94,000 Crore ³

Note: Specific tenor-wise notified amounts for Q1 2025 were not provided in the source.

Table 2: Quarterly 10-Year G-sec Yields and Spread Analysis

This table presents the trend of the long-term benchmark yield, a key indicator of market sentiment.

Quarter	10-Year G-sec Yield (%)	Notes
Q3 2020	6.183 ¹⁰	Yield nearing record low of 5.76% in July 2020 ⁹
Q4 2020	5.946 ¹⁰	
Q1 2021	5.910 ¹⁰	
Q2 2021	6.160 ¹⁰	

Q3 2021	6.260 ¹⁰	
Q4 2021	6.226 ¹⁰	
Q1 2022	6.383 ¹⁰	
Q2 2022	6.736 ¹⁰	
Q3 2022	7.343 ¹⁰	
Q4 2022	7.316 ¹⁰	
Q1 2023	7.370 ¹⁰	Yield peak of the period
Q2 2023	7.359 ¹⁰	
Q3 2023	7.080 ¹⁰	
Q4 2023	7.153 ¹⁰	
Q1 2024	7.280 ¹⁰	
Q2 2024	7.120 ¹⁰	
Q3 2024	7.073 ¹⁰	
Q4 2024	6.916 ¹⁰	Month-end closing yield (Dec 2024) for 6.79% GS 2034 was 6.76% ³
Q1 2025	6.796 ¹⁰	
Q2 2025	6.723 ¹⁰	A recent daily value was 6.29% (May 2025) ⁹

Dynamics of the Indian Forex Market: The USD/INR Exchange Rate

The value of the Indian Rupee (INR) against the US Dollar (USD) is a crucial macroeconomic indicator for India, reflecting the country's trade balance, capital flows, and overall economic health. The period under review was characterized by a combination of global currency movements and India's strengthening domestic fundamentals.

3.1. USD/INR Performance and Drivers

The daily USD/INR reference rate, provided by Financial Benchmarks India Ltd. (FBIL) and mirrored by credible exchanges like the National Stock Exchange (NSE) and Metropolitan Stock Exchange of India (MSEI), serves as the official benchmark for the currency.¹¹ While a complete five-year daily dataset is not contained within the provided research material, recent snapshots for July and August 2025 illustrate the day-to-day volatility of the currency pair. The data shows the USD/INR rate fluctuating in a narrow range, with a daily reference rate of 87.6945 on August 7, 2025, and 87.6196 on August 8, 2025.¹² This constant movement reflects the continuous process of price discovery in the foreign exchange market.

The movement of the USD/INR exchange rate is influenced by a complex interplay of both global and domestic factors. From a global perspective, the January 2025 FBIL newsletter highlights "valuation gain, signifying depreciation of the US\$ against major currencies" as a contributing factor.³ This indicates that the INR's performance is not isolated but is part of a broader trend of global dollar strength or weakness. When the US Dollar weakens against a basket of currencies, it provides a supportive environment for the INR to appreciate or at least remain stable.

However, a more significant driver of the INR's resilience is India's improving domestic economic fundamentals. The January 2025 FBIL newsletter reports that India's current account deficit (CAD) "slightly decreased" from US\$ 11.3 billion (1.3% of GDP) in Q2 of 2023-24 to a lower figure in Q2 of 2024-25.³ A shrinking current account deficit, which is the difference between a country's exports and imports of goods, services, and net income, acts as a stabilizing force for the

currency. An even stronger indicator of the country's external sector health is the significant increase in foreign exchange reserves, which, including valuation effects, increased by a notable US\$ 59.4 billion in April-September 2024, in comparison to an increase of only US\$ 9.3 billion in the same period a year earlier.³ This surge in reserves demonstrates robust capital inflows and a strengthening balance of payments, which in turn provides a durable anchor for the INR. The combination of a favorable external environment (a depreciating US Dollar) and strengthening internal fundamentals (a decreasing CAD and rising reserves) creates a resilient position for the Rupee.

3.2. The Role of the RBI in Exchange Rate Management

The Reserve Bank of India (RBI) plays a pivotal role in managing the foreign exchange market, not just through direct intervention but also through communication and transparency. The central bank's actions and publications serve as a powerful tool to manage market expectations. The fact that the RBI publishes official data on its foreign exchange reserves, balance of payments, and current account figures through its newsletters and other public channels ³ is a deliberate strategy. This transparency provides the market with clear signals about the health of the Indian economy, which in turn helps to anchor expectations and reduce speculative behavior, ultimately contributing to currency stability. For instance, the detailed report on India's Balance of Payments for Q2 of 2024-25 in the January 2025 newsletter is a prime example of this.³ By providing this information, the RBI manages the narrative and instills confidence in the market, a form of indirect management that is as important as any direct intervention.

Table 3: Daily USD/INR Reference Rates (Snapshots from July-August 2025)

This table provides a snapshot of the day-to-day volatility in the exchange rate, compiled from multiple sources.

Trade Date	1 USD = INR (Reference Rate)	Source
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04-Aug-2025	87.5018	11
05-Aug-2025	87.7917	11
06-Aug-2025	87.7000	11
07-Aug-2025	87.6945	11
08-Aug-2025	87.6196	11
11-Aug-2025	87.5776	11
12-Aug-2025	87.6726	11

Global Oil Markets: Brent Crude and Its Macroeconomic Ripple Effect

The price of Brent crude oil is a critical external variable for the Indian economy, given its status as a major net importer. Fluctuations in oil prices have direct consequences for India's fiscal position, inflation, and currency stability. Analyzing the evolution of Brent crude prices and the latest forward-looking forecasts from the U.S. Energy Information Administration (EIA) is therefore essential for understanding India's macroeconomic trajectory.

4.1. Brent Crude Oil Price Evolution (2020-2025)

The price of Brent crude oil, measured in dollars per barrel, experienced considerable volatility over the period under review. The provided data gives a glimpse into this dynamic. For instance, a recent EIA snippet shows a series of daily prices in late July and early August 2025, with prices fluctuating from \$70.87 on July 28 to \$69.56 on August 4.¹⁵ A historical table, while not containing a continuous

time series for the entire period, confirms that the EIA maintains a long-running dataset of monthly averages dating back to 1987.¹⁶ This historical context is valuable for benchmarking the recent price movements. The snippets also indicate that the full historical dataset, from 1987–2025, is available for download in an XLS file format directly from the EIA website.¹⁵

4.2. Forward-Looking Context and Price Drivers

The most significant information regarding the oil market comes from the EIA's Short-Term Energy Outlook (STEO) for August 2025, which provides a detailed forecast for the remainder of 2025 and into 2026. The STEO projects a significant decline in Brent crude oil prices, which is expected to fall from an average of \$71 per barrel in July 2025 to an average of \$58 per barrel in the fourth quarter of 2025, and further to around \$50 per barrel in early 2026.¹⁸

This bearish forecast is driven by a powerful causal factor: a projected oversupply in the global market. The EIA attributes this to the decision by OPEC+ members to accelerate their production increases, a year ahead of their previous schedule.¹⁹ As a result, the EIA anticipates global oil inventory builds to average more than 2 million barrels per day in both the fourth quarter of 2025 and the first quarter of 2026, a significant increase from the previous month's forecast.¹⁸ This supply growth is expected to vastly outpace the growth in demand for petroleum products, creating a downward pressure on prices.¹⁹

For India, this forecast has profound macroeconomic implications. As a major importer of crude oil, a significant decline in global prices directly translates into a lower import bill, which helps to improve the country's current account deficit and puts appreciating pressure on the Indian Rupee. This is a powerful causal link that connects the global commodity market directly to India's currency and external sector stability. A lower oil price environment also has a direct disinflationary effect on the domestic economy, as it reduces the cost of fuel and transportation, thereby easing pressure on retail inflation and providing the RBI with greater flexibility in its monetary policy decisions.

A nuanced aspect of the EIA's forecast is the prediction of a self-correcting market dynamic. The STEO notes that the low oil prices in early 2026 are expected to "lead to a reduction in supply by both OPEC+ and some non-OPEC producers," which would then "help moderate inventory builds later in 2026".¹⁸ This suggests that while a period of low prices is imminent, it may not be permanent. For Indian

policymakers and businesses, this is a crucial piece of forward-looking information, as it advises against basing long-term strategies on a perpetually low oil price scenario and instead recommends preparing for a potential re-balancing of the global market.

Table 4: Brent Crude Oil Spot Prices and EIA Forecast

This table presents a combination of recent daily data and forward-looking forecasts from the EIA.

Period	Brent Crude Oil Spot Price (\$/bbl)	Source
Daily (July-Aug 2025)	Volatility in the \$69-\$73 range 15	15
July 2025 Average	\$71 (approx.)	18
Forecast Q4 2025	Average of \$58	18
Forecast 2026 Average	Average of \$51	18

Cross-Market Correlation and Strategic Implications

The interconnectedness of the analyzed markets is a central theme of this report. The performance of government securities, the currency, and global oil prices cannot be understood in isolation. They form a complex feedback loop that collectively shapes the Indian macroeconomic environment, influences policy decisions, and impacts the broader economy.

5.1. The Policy Trilemma: Interconnections between Rates, FX, and Oil

The relationship between global oil prices and India's foreign exchange market is a primary causal link. The EIA's forecast for a sharp decline in Brent crude prices in late 2025 and early 2026 is a significant development for the Indian Rupee.¹⁸ As a major oil importer, a reduction in the price of crude oil will directly decrease India's import bill, which in turn, improves the country's current account balance. This external relief complements the already improving domestic fundamentals, such as the reported decrease in India's current account deficit in the second quarter of 2024-25.³ The combined effect of these factors creates a strong environment for the Indian Rupee, placing appreciating pressure on the currency and reinforcing its resilience.

The relationship between the foreign exchange market and interest rates is equally critical. A stronger, appreciating Indian Rupee is inherently deflationary, as it makes imports cheaper. This can provide the RBI with greater flexibility in its monetary policy decisions. The central bank could, for instance, choose to maintain a more accommodative stance or a prolonged pause, as the disinflationary pressure from a stronger currency helps to offset any potential domestic inflationary concerns. This directly impacts the market's expectations regarding the repo rate, which in turn influences the short- and long-term yields of T-bills and G-secs.

The government securities market, in turn, has a direct impact on the real economy. The 10-year G-sec yield is a bellwether rate that serves as the basis for pricing corporate loans, so movements in this benchmark directly affect the cost of borrowing for businesses.⁸ A lower yield environment can stimulate investment and economic growth, while a higher yield environment can act as a drag. This underscores the central bank's broader responsibility to manage not just inflation and currency stability, but also the overall cost of capital.

A deeper analysis reveals a strategic connection between the RBI's policy actions and the signals from the bond market. The widening spread between the 10-year G-sec yield and the repo rate in 2025 was attributed, in part, to concerns about a "higher fiscal deficit".⁸ A government must fund its deficit through borrowing, which increases the supply of government debt in the market. To counteract the upward pressure on yields that this can cause, the RBI has been actively cultivating a new class of retail investors through its RBI Retail Direct platform.⁶ This initiative can be seen as a strategic response to these market concerns. By broadening the investor base, the RBI is creating a new, potentially more stable source of demand for government securities, which could help to absorb government borrowing and moderate the upward pressure on yields. This, in turn, could help to manage the

spread, demonstrating a sophisticated, indirect policy tool aimed at maintaining financial stability and supporting the government's fiscal needs.

5.2. Synthesis of Macroeconomic Environment

The five-year period from 2020 to 2025 has been a journey through a unique set of macroeconomic challenges and opportunities. The initial phase was characterized by a post-pandemic recovery with accommodative monetary policies and low interest rates. This was followed by a period of global inflationary pressures and supply chain disruptions, which necessitated a shift towards a more hawkish monetary stance. As the period concludes, the analysis points to a potentially favorable macroeconomic environment for India in late 2025 and into 2026.

The confluence of a projected decline in Brent crude oil prices and a resilient domestic economy, as evidenced by a decreasing current account deficit and rising foreign exchange reserves, suggests a period of macroeconomic tailwinds.³ The external relief from lower oil prices is expected to reinforce the internal strengthening of India's economy. This creates a compelling narrative of a robust domestic foundation complemented by favorable global conditions. This environment could provide the RBI with significant policy flexibility, enabling it to manage liquidity and interest rates with greater discretion and potentially address the bond market's concerns about a prolonged rate pause. The strategic initiatives, such as the RBI Retail Direct platform, further illustrate the proactive measures being taken to build a more resilient and sophisticated financial market. The continued success of these policies will be crucial in navigating the complex landscape of fiscal demands and anchoring long-term expectations for inflation and growth.

Data Appendices

The following tables synthesize the key data points extracted from the provided research material, offering a structured overview of the trends and figures discussed in the report.

Table 5: Key Financial Indicators & Policy Rates (Snapshots)

This table provides contextual data on policy rates and other macroeconomic indicators, compiled from various sources.

Indicator	Value	Date/Period	Source
Retail Inflation (CPI)	1.55%	July 2025	8
Repo Rate	5.5%	August 2025	20
Current Account Deficit (CAD)	Decreased from US\$ 11.3B (1.3% of GDP) in Q2 2023-24 to lower value in Q2 2024-25	Q2 2024-25	3
Foreign Exchange Reserves	Increased by US\$ 59.4B	April-September 2024	3
Weighted Average Lending Rate (WALR)	9.40%	November 2024	3
Weighted Average Domestic Term Deposit Rate (WADTDR)	6.46%	November 2024	3

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Ultimately, the analysis underscores a sophisticated and interconnected ecosystem where decisions in one market segment have cascading effects across others. The report concludes that India is positioned to benefit from a favorable global environment of declining oil prices and a strengthening domestic macroeconomic foundation, which could provide policymakers with the flexibility to navigate a challenging landscape of fiscal demands and long-term inflation expectations.

The Indian Government Securities Market: Trends and Monetary Policy Nexus

The Indian government securities market serves as a cornerstone of the country's financial system, providing a key mechanism for government borrowing and acting as a primary channel for the transmission of monetary policy. An in-depth examination of the yields on Treasury Bills (T-bills) and the benchmark 10-year Government Security (G-sec) reveals a detailed narrative of India's economic journey over the past five years.

2.1. Treasury Bills (T-bills) Yield Analysis

Treasury Bills are fundamental short-term debt instruments issued by the Government of India, typically with maturities of less than one year. These

securities are zero-coupon instruments, meaning they pay no interest, and instead, are issued at a discount to their face value and redeemed at par upon maturity.¹ They are presently issued in three tenors: 91-day, 182-day, and 364-day, and are a crucial tool for the government to manage its short-term cash flow needs and for the central bank to manage market liquidity.¹

The credibility of the rates used to benchmark these instruments is of paramount importance. The Financial Benchmarks India Ltd. (FBIL) is the authorized entity for this purpose, and a working paper details its rigorous methodology for computing the benchmark rates. The benchmark is derived from secondary market trading activity on the electronic NDS-OM platform, and it considers a weighted average rate based on traded T-bills and executable orders.² To ensure data robustness and mitigate the impact of thin trading, the methodology imposes a minimum threshold of at least three trades and a trade value of at least ₹5 crore in each tenor bucket. The rates are further refined by removing outliers beyond three standard deviations, ensuring that the final benchmark is a true reflection of market sentiment.²

A statistical validation of this methodology further solidifies its credibility. A T-test conducted on the computed T-bill rates and the weighted average yields from primary auctions for the 91-day, 182-day, and 364-day tenors found no significant difference between the means and variances of the two samples.² This close alignment is a critical finding, as it confirms that the FBIL benchmark accurately reflects the price discovery process of the primary market, which is where the government sells its debt to the market.

While the complete five-year daily data is not available in the research material, snippets from FBIL newsletters provide valuable snapshots of the market's activity. The January 2025 newsletter, for instance, reported that the RBI had notified a total amount of ₹3,94,000 crore for the issuance of T-bills for the quarter spanning January 1, 2025, to March 31, 2025.³ This figure, when compared to the April 2021 newsletter which noted a total notified amount of ₹4,68,000 crore for the issuance of T-bills for the quarter ending June 2021⁴, provides a comparative measure of government's short-term borrowing needs over time. Additionally, the fragmented daily data points from a financial data provider, such as the India Treasury Bills 91-day implicit yield at cut-off at 5.839% on May 14, 2025, offer specific illustrations of the yield levels.⁵

Beyond the raw data, a significant trend has emerged in the short-term debt market: the strategic push for retail participation. The RBI launched its retail direct platform in November 2021 to boost individual investment in government securities,

and an analysis shows this effort is gaining traction.⁶ The platform, which allows for investments in T-bills via a Systematic Investment Plan (SIP) with a minimum requirement of ₹10,000, had nearly half a million users registered and 206,732 accounts opened as of July 2024.⁶ While experts have noted that the total number of registrations does not yet indicate strong participation, the initiative is a forward-looking step by the RBI to deepen and diversify the bond market.⁶ This policy action has the potential to introduce a new class of investors with different behavioral patterns than large institutions, which could, over time, alter the liquidity profile and yield discovery process, making the market more resilient to large-scale institutional shifts.

The comparative returns between T-bills and other "safe" investment options further highlight the evolving landscape for retail investors. An analysis cited in the research material reveals that T-bills in the 91-day and 182-day segments offered returns that were approximately 55 basis points higher than those on bank fixed deposits of similar maturities.⁶ This trend, where short-term government debt provides a yield premium over traditional bank deposits, directly influences the strategic choices of retail investors. From a central bank perspective, this is a clear demonstration of monetary policy transmission reaching a new class of participants. The potential for T-bills to attract deposits away from banks introduces a new consideration for the central bank, which must balance the goal of deepening the bond market with its broader mandate of maintaining financial stability and supporting credit growth through a healthy banking sector.

2.2. The 10-Year G-sec: A Barometer of Long-Term Sentiment

While T-bills reflect short-term liquidity and monetary policy actions, the benchmark 10-year G-sec is widely regarded as a forward-looking barometer of long-term economic and inflation expectations. Its yield is a crucial reference point for the pricing of a wide range of financial instruments, from corporate loans to mortgages.⁸

The trajectory of the 10-year G-sec yield over the five-year period illustrates the market's response to a series of macroeconomic developments. Fragmented data points from credible sources provide a coherent picture. A financial data provider's daily yield data, for instance, noted a record low of 5.76% in July 2020 and a recent data point of 6.29% in May 2025.⁹ Quarterly data from the Federal Reserve Economic Data (FRED) provides a broader trend, showing the yield rising from

5.91% in the first quarter of 2021 to a high of 7.37% in the first quarter of 2023, before a gradual decline to 6.723% in the first quarter of 2025.¹⁰ An article from Economic Times provides a recent data point, noting that the yield closed at 6.49% on a Tuesday in 2025, which was its highest level since early April of that year.⁸

A critical indicator of market sentiment is the spread between the 10-year G-sec yield and the RBI's repo rate. This spread widened to almost one percentage point in 2025, representing its largest gap of the year.⁸ This is in stark contrast to the spread of around 20 basis points that existed just before the central bank commenced its rate-cutting cycle.⁸ This widening gap is not merely a quantitative observation; it signifies a substantial divergence between the market's long-term outlook and the central bank's current monetary policy stance. The bond market is effectively demanding a higher risk premium for holding long-term government debt, a signal that market participants are pricing in an extended policy pause.⁸ This sentiment is rooted in concerns about future inflationary pressures and the potential for a higher fiscal deficit, which would increase government borrowing and put upward pressure on yields.⁸

This market behavior highlights the nuanced nature of the central bank's communication strategy. Despite India's retail inflation falling to an eight-year low of 1.55% in July, well below the central bank's target of 4%, the bond market did not expect an immediate rate cut.⁸ This is because the RBI had retained a 'neutral' monetary policy stance and projected that inflation would climb towards the end of the fiscal year.⁸ The absence of a "dovish stance" from the central bank, even in the face of a low current inflation print, is a deliberate strategy to anchor long-term expectations. The bond market, in turn, is interpreting this as a strong signal that the RBI is prioritizing future stability over reacting to a single, favorable data point. This confirms that the central bank's forward guidance and the language accompanying its policy statements are critical tools for shaping market expectations and, consequently, the yield curve. The market's reaction, as evidenced by the widening spread, is a direct response to this transparent communication, demonstrating a sophisticated feedback loop between policy signaling and investor behavior.

This concludes our in-depth analysis of the Indian government securities market, a fundamental element of the financial landscape.

Table 1: Key T-bill Auction Data (Q2 2021 and Q1 2025)

This table juxtaposes government borrowing activity and market rates over a four-year period, derived from FBIL newsletter snapshots.

Period	Notified Amount (91-day T-bills)	Notified Amount (182-day T-bills)	Notified Amount (364-day T-bills)	Total Notified Amount
Q2 2021 (Apr-Jun)	₹1,95,000 Crore ⁴	₹1,95,000 Crore ⁴	₹78,000 Crore ⁴	₹4,68,000 Crore
Q1 2025 (Jan-Mar)	N/A	N/A	N/A	₹3,94,000 Crore ³

Note: Specific tenor-wise notified amounts for Q1 2025 were not provided in the source.

Table 2: Quarterly 10-Year G-sec Yields and Spread Analysis

This table presents the trend of the long-term benchmark yield, a key indicator of market sentiment.

Quarter	10-Year G-sec Yield (%)	Notes
Q3 2020	6.183 ¹⁰	Yield nearing record low of 5.76% in July 2020 ⁹
Q4 2020	5.946 ¹⁰	
Q1 2021	5.910 ¹⁰	
Q2 2021	6.160 ¹⁰	
Q3 2021	6.260 ¹⁰	
Q4 2021	6.226 ¹⁰	

Q1 2022	6.383 ¹⁰	
Q2 2022	6.736 ¹⁰	
Q3 2022	7.343 ¹⁰	
Q4 2022	7.316 ¹⁰	
Q1 2023	7.370 ¹⁰	Yield peak of the period
Q2 2023	7.359 ¹⁰	
Q3 2023	7.080 ¹⁰	
Q4 2023	7.153 ¹⁰	
Q1 2024	7.280 ¹⁰	
Q2 2024	7.120 ¹⁰	
Q3 2024	7.073 ¹⁰	
Q4 2024	6.916 ¹⁰	Month-end closing yield (Dec 2024) for 6.79% GS 2034 was 6.76% ³
Q1 2025	6.796 ¹⁰	
Q2 2025	6.723 ¹⁰	A recent daily value was 6.29% (May 2025) ⁹

Dynamics of the Indian Forex Market: The USD/INR Exchange Rate

The value of the Indian Rupee (INR) against the US Dollar (USD) is a crucial macroeconomic indicator for India, reflecting the country's trade balance, capital flows, and overall economic health. The period under review was characterized by a combination of global currency movements and India's strengthening domestic fundamentals.

3.1. USD/INR Performance and Drivers

The daily USD/INR reference rate, provided by Financial Benchmarks India Ltd. (FBIL) and mirrored by credible exchanges like the National Stock Exchange (NSE) and Metropolitan Stock Exchange of India (MSEI), serves as the official benchmark for the currency.¹¹ While a complete five-year daily dataset is not contained within the provided research material, recent snapshots for July and August 2025 illustrate the day-to-day volatility of the currency pair. The data shows the USD/INR rate fluctuating in a narrow range, with a daily reference rate of 87.6945 on August 7, 2025, and 87.6196 on August 8, 2025.¹² This constant movement reflects the continuous process of price discovery in the foreign exchange market.

The movement of the USD/INR exchange rate is influenced by a complex interplay of both global and domestic factors. From a global perspective, the January 2025 FBIL newsletter highlights "valuation gain, signifying depreciation of the US\$ against major currencies" as a contributing factor.³ This indicates that the INR's performance is not isolated but is part of a broader trend of global dollar strength or weakness. When the US Dollar weakens against a basket of currencies, it provides a supportive environment for the INR to appreciate or at least remain stable.

However, a more significant driver of the INR's resilience is India's improving domestic economic fundamentals. The January 2025 FBIL newsletter reports that India's current account deficit (CAD) "slightly decreased" from US\$ 11.3 billion (1.3% of GDP) in Q2 of 2023-24 to a lower figure in Q2 of 2024-25.³ A shrinking current account deficit, which is the difference between a country's exports and imports of goods, services, and net income, acts as a stabilizing force for the currency. An even stronger indicator of the country's external sector health is the significant increase in foreign exchange reserves, which, including valuation effects, increased by a notable US\$ 59.4 billion in April-September 2024, in comparison to an increase of only US\$ 9.3 billion in the same period a year earlier.³ This surge in reserves demonstrates robust capital inflows and a strengthening

balance of payments, which in turn provides a durable anchor for the INR. The combination of a favorable external environment (a depreciating US Dollar) and strengthening internal fundamentals (a decreasing CAD and rising reserves) creates a resilient position for the Rupee.

3.2. The Role of the RBI in Exchange Rate Management

The Reserve Bank of India (RBI) plays a pivotal role in managing the foreign exchange market, not just through direct intervention but also through communication and transparency. The central bank's actions and publications serve as a powerful tool to manage market expectations. The fact that the RBI publishes official data on its foreign exchange reserves, balance of payments, and current account figures through its newsletters and other public channels ³ is a deliberate strategy. This transparency provides the market with clear signals about the health of the Indian economy, which in turn helps to anchor expectations and reduce speculative behavior, ultimately contributing to currency stability. For instance, the detailed report on India's Balance of Payments for Q2 of 2024-25 in the January 2025 newsletter is a prime example of this.³ By providing this information, the RBI manages the narrative and instills confidence in the market, a form of indirect management that is as important as any direct intervention.

Table 3: Daily USD/INR Reference Rates (Snapshots from July-August 2025)

This table provides a snapshot of the day-to-day volatility in the exchange rate, compiled from multiple sources.

Trade Date	1 USD = INR (Reference Rate)	Source
04-Aug-2025	87.5018	11
05-Aug-2025	87.7917	11

06-Aug-2025	87.7000	11
07-Aug-2025	87.6945	11
08-Aug-2025	87.6196	11
11-Aug-2025	87.5776	11
12-Aug-2025	87.6726	11

Global Oil Markets: Brent Crude and Its Macroeconomic Ripple Effect

The price of Brent crude oil is a critical external variable for the Indian economy, given its status as a major net importer. Fluctuations in oil prices have direct consequences for India's fiscal position, inflation, and currency stability. Analyzing the evolution of Brent crude prices and the latest forward-looking forecasts from the U.S. Energy Information Administration (EIA) is therefore essential for understanding India's macroeconomic trajectory.

4.1. Brent Crude Oil Price Evolution (2020-2025)

The price of Brent crude oil, measured in dollars per barrel, experienced considerable volatility over the period under review. The provided data gives a glimpse into this dynamic. For instance, a recent EIA snippet shows a series of daily prices in late July and early August 2025, with prices fluctuating from \$70.87 on July 28 to \$69.56 on August 4.¹⁵ A historical table, while not containing a continuous time series for the entire period, confirms that the EIA maintains a long-running dataset of monthly averages dating back to 1987.¹⁶ This historical context is valuable for benchmarking the recent price movements. The snippets also indicate that the full historical dataset, from 1987-2025, is available for download in an XLS file format directly from the EIA website.¹⁵

4.2. Forward-Looking Context and Price Drivers

The most significant information regarding the oil market comes from the EIA's Short-Term Energy Outlook (STEO) for August 2025, which provides a detailed forecast for the remainder of 2025 and into 2026. The STEO projects a significant decline in Brent crude oil prices, which is expected to fall from an average of \$71 per barrel in July 2025 to an average of \$58 per barrel in the fourth quarter of 2025, and further to around \$50 per barrel in early 2026.¹⁸

This bearish forecast is driven by a powerful causal factor: a projected oversupply in the global market. The EIA attributes this to the decision by OPEC+ members to accelerate their production increases, a year ahead of their previous schedule.¹⁹ As a result, the EIA anticipates global oil inventory builds to average more than 2 million barrels per day in both the fourth quarter of 2025 and the first quarter of 2026, a significant increase from the previous month's forecast.¹⁸ This supply growth is expected to vastly outpace the growth in demand for petroleum products, creating a downward pressure on prices.¹⁹

For India, this forecast has profound macroeconomic implications. As a major importer of crude oil, a significant decline in global prices directly translates into a lower import bill, which helps to improve the country's current account deficit and puts appreciating pressure on the Indian Rupee. This is a powerful causal link that connects the global commodity market directly to India's currency and external sector stability. A lower oil price environment also has a direct disinflationary effect on the domestic economy, as it reduces the cost of fuel and transportation, thereby easing pressure on retail inflation and providing the RBI with greater flexibility in its monetary policy decisions.

A nuanced aspect of the EIA's forecast is the prediction of a self-correcting market dynamic. The STEO notes that the low oil prices in early 2026 are expected to "lead to a reduction in supply by both OPEC+ and some non-OPEC producers," which would then "help moderate inventory builds later in 2026".¹⁸ This suggests that while a period of low prices is imminent, it may not be permanent. For Indian policymakers and businesses, this is a crucial piece of forward-looking information, as it advises against basing long-term strategies on a perpetually low oil price scenario and instead recommends preparing for a potential re-balancing of the global market.

Table 4: Brent Crude Oil Spot Prices and EIA Forecast

This table presents a combination of recent daily data and forward-looking forecasts from the EIA.

Period	Brent Crude Oil Spot Price (\$/bbl)	Source
Daily (July-Aug 2025)	Volatility in the \$69-\$73 range ¹⁵	15
July 2025 Average	\$71 (approx.)	18
Forecast Q4 2025	Average of \$58	18
Forecast 2026 Average	Average of \$51	18

Cross-Market Correlation and Strategic Implications

The interconnectedness of the analyzed markets is a central theme of this report. The performance of government securities, the currency, and global oil prices cannot be understood in isolation. They form a complex feedback loop that collectively shapes the Indian macroeconomic environment, influences policy decisions, and impacts the broader economy.

5.1. The Policy Trilemma: Interconnections between Rates, FX, and Oil

The relationship between global oil prices and India's foreign exchange market is a primary causal link. The EIA's forecast for a sharp decline in Brent crude prices in late 2025 and early 2026 is a significant development for the Indian Rupee.¹⁸ As a major oil importer, a reduction in the price of crude oil will directly decrease India's import bill, which in turn, improves the country's current account balance. This

external relief complements the already improving domestic fundamentals, such as the reported decrease in India's current account deficit in the second quarter of 2024-25.³ The combined effect of these factors creates a strong environment for the Indian Rupee, placing appreciating pressure on the currency and reinforcing its resilience.

The relationship between the foreign exchange market and interest rates is equally critical. A stronger, appreciating Indian Rupee is inherently deflationary, as it makes imports cheaper. This can provide the RBI with greater flexibility in its monetary policy decisions. The central bank could, for instance, choose to maintain a more accommodative stance or a prolonged pause, as the disinflationary pressure from a stronger currency helps to offset any potential domestic inflationary concerns. This directly impacts the market's expectations regarding the repo rate, which in turn influences the short- and long-term yields of T-bills and G-secs.

The government securities market, in turn, has a direct impact on the real economy. The 10-year G-sec yield is a bellwether rate that serves as the basis for pricing corporate loans, so movements in this benchmark directly affect the cost of borrowing for businesses.⁸ A lower yield environment can stimulate investment and economic growth, while a higher yield environment can act as a drag. This underscores the central bank's broader responsibility to manage not just inflation and currency stability, but also the overall cost of capital.

A deeper analysis reveals a strategic connection between the RBI's policy actions and the signals from the bond market. The widening spread between the 10-year G-sec yield and the repo rate in 2025 was attributed, in part, to concerns about a "higher fiscal deficit".⁸ A government must fund its deficit through borrowing, which increases the supply of government debt in the market. To counteract the upward pressure on yields that this can cause, the RBI has been actively cultivating a new class of retail investors through its RBI Retail Direct platform.⁶ This initiative can be seen as a strategic response to these market concerns. By broadening the investor base, the RBI is creating a new, potentially more stable source of demand for government securities, which could help to absorb government borrowing and moderate the upward pressure on yields. This, in turn, could help to manage the spread, demonstrating a sophisticated, indirect policy tool aimed at maintaining financial stability and supporting the government's fiscal needs.

5.2. Synthesis of Macroeconomic Environment

The five-year period from 2020 to 2025 has been a journey through a unique set of macroeconomic challenges and opportunities. The initial phase was characterized by a post-pandemic recovery with accommodative monetary policies and low interest rates. This was followed by a period of global inflationary pressures and supply chain disruptions, which necessitated a shift towards a more hawkish monetary stance. As the period concludes, the analysis points to a potentially favorable macroeconomic environment for India in late 2025 and into 2026.

The confluence of a projected decline in Brent crude oil prices and a resilient domestic economy, as evidenced by a decreasing current account deficit and rising foreign exchange reserves, suggests a period of macroeconomic tailwinds.³ The external relief from lower oil prices is expected to reinforce the internal strengthening of India's economy. This creates a compelling narrative of a robust domestic foundation complemented by favorable global conditions. This environment could provide the RBI with significant policy flexibility, enabling it to manage liquidity and interest rates with greater discretion and potentially address the bond market's concerns about a prolonged rate pause. The strategic initiatives, such as the RBI Retail Direct platform, further illustrate the proactive measures being taken to build a more resilient and sophisticated financial market. The continued success of these policies will be crucial in navigating the complex landscape of fiscal demands and anchoring long-term expectations for inflation and growth.

Data Appendices

The following tables synthesize the key data points extracted from the provided research material, offering a structured overview of the trends and figures discussed in the report.

Table 5: Key Financial Indicators & Policy Rates (Snapshots)

This table provides contextual data on policy rates and other macroeconomic indicators, compiled from various sources.

Indicator	Value	Date/Period	Source
Retail Inflation (CPI)	1.55%	July 2025	8
Repo Rate	5.5%	August 2025	20
Current Account Deficit (CAD)	Decreased from US\$ 11.3B (1.3% of GDP) in Q2 2023-24 to lower value in Q2 2024-25	Q2 2024-25	3
Foreign Exchange Reserves	Increased by US\$ 59.4B	April-September 2024	3
Weighted Average Lending Rate (WALR)	9.40%	November 2024	3
Weighted Average Domestic Term Deposit Rate (WADTDR)	6.46%	November 2024	3

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