

RateView

Crisil's outlook on near-term interest rates

May 2025



Contents

April fillip	3
Factors influencing the outlook	4
April at a glance	6

Analytical contacts

Yakshit Goda

Manager, Fixed Income Research
yakshit.goda@crisil.com

Dharmakirti Joshi

Chief Economist, Crisil Ltd
dharmakirti.joshi@crisil.com

With contributions from

Sumalatha Shetty and
Yashsingh Rajput

Dipti Deshpande

Principal Economist, Crisil Ltd
dipti.deshpande@crisil.com

Pankhuri Tandon

Senior Economist, Crisil Ltd
pankhuri.tandon@crisil.com

Media contacts

Ramkumar Uppara

Media Relations
M: +91 98201 77907
ramkumar.uppara@crisil.com

Sanjay Lawrence

Media Relations
M: +91 89833 21061
sanjay.lawrence@crisil.com

April fillip

The yield on the 10-year benchmark government security (G-sec) ended April 2025 at 6.36%, down 22 basis points (bps) from the March close of 6.58% and outside Crisil's forecast of 6.44-6.54%.

The first week opened with a bullish bias, with the benchmark yield at 6.48%, after the G-sec borrowing calendar for the first half of fiscal 2026 came in line with market expectations. Expectations of a policy rate cut and softer stance at the upcoming Reserve Bank of India's (RBI) Monetary Policy Committee (MPC) meeting aided gilt prices. Results aligning with expectations at the weekly G-sec auction also supported gilt prices to some extent. The yield closed the week at 6.47%.

The second week opened on a negative note, tracking an overnight surge in US Treasury yields. The session saw a slight easing of bond yields, with the cut-off rates for state development loans and the open market operation (OMO) purchase auction coming in line with market expectations. Subsequently, domestic bond prices surged, driven by the MPC's decision to cut policy rates by 25 bps and shift to an accommodative stance. Market participants also bet on another rate cut in the June 2025 policy review. An intraday decline in US Treasury yields at the last day of the week's trading provided further support to bond prices. The 10-year benchmark yield closed the week at 6.42%.

In the third week, domestic bonds traded on a bullish note on account of an intraday decline in US Treasury yields. The market likely also saw buying interest from foreign portfolio investors (FPIs) and foreign banks. Trading volume increased ahead of the upcoming Rs 40,000 crore OMO purchase auction of G-secs, scheduled for the latter part of the week. As a result, gilt yields closed 1-9 bps weaker across the curve, with the benchmark ending at 6.37%.

The last week, too, started positively on speculation of additional OMO purchases and the RBI's announcement of Rs 1.25 lakh crore OMO purchases in May, supported by FPI buying. Better-than-expected auction cut-offs also supported gilt prices. However, despite a successful G-sec auction, sentiment turned negative mid-week, owing to terrorist attacks in Kashmir and profit-booking. Hence, the yields rose 1-5 bps across the curve. The 10-year benchmark closed the week at 6.36%.

Crisil's outlook

On interest rates

Benchmark	April 30, 2025 (A)	May 31, 2025 (P)	July 31, 2025 (P)
10-year G-sec yield*	6.36%	6.32%- 6.42%	6.31%- 6.41%
10-year SDL yield	6.68%	6.68%- 6.78%	6.68%- 6.78%
10-year corporate bond yield	6.97%	6.97%- 7.07%	6.96%- 7.06%

A: Actual; P: Projected (6.79 GS 2034)

Note: All yields are volume-weighted averages during the last trading hour of that day

One-month view

In May, domestic G-sec yields are likely to be influenced by various factors such as tension between India and Pakistan, FPI inflows and outflows, market liquidity, OMO purchases, outcome of possible trade negotiations, movement in crude oil prices and rupee-dollar exchange rate.

Three-month view

Movement in the 10-year G-sec yield is expected to depend on FPI flows, impact of higher tariffs on inflation, crude oil prices, global interest rate environment, the Consumer Price Index inflation print, the US Federal Open Market Committee's decisions, the RBI MPC meeting, outcome of possible trade negotiations, global cues and liquidity concerns.

Framework for the outlook

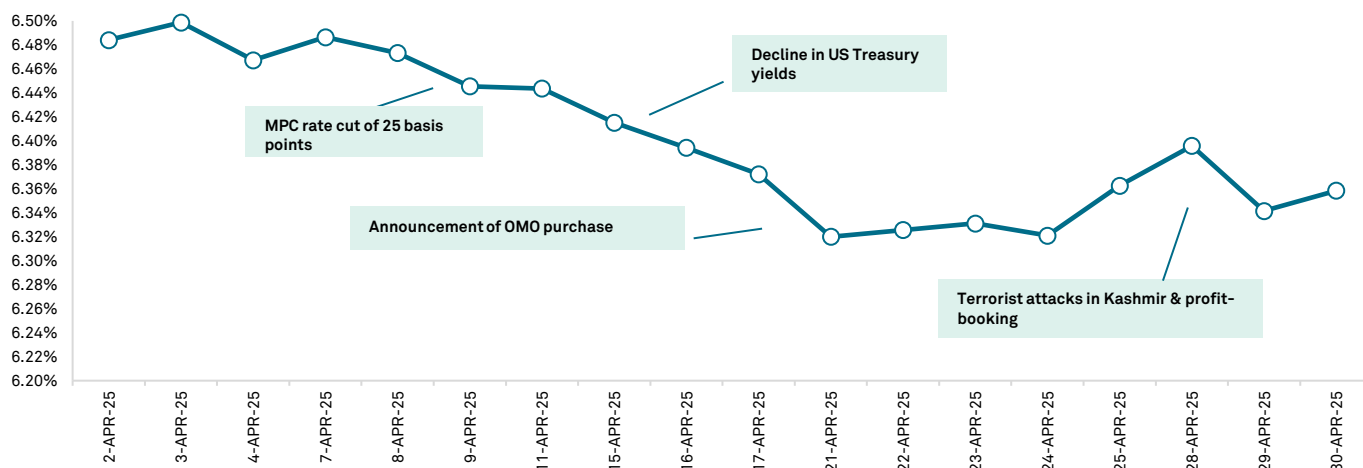
Crisil provides its outlook on key benchmark rates for different debt classes — 10-year G-secs, state development loans (SDLs) and corporate bonds — based on statistical models and inputs from our in-house experts. We also incorporate our views on policy expectations, macroeconomic outlook, key events (local and global) and market factors (liquidity and demand/ supply).

Factors influencing the outlook

Economic parameter	Our view	Impact on yields
Gross domestic product (GDP) growth	- We expect GDP growth to at 6.5% in fiscal 2026, with risks on downside - Downside risks to growth have increased with the sharp and broad-based rise in US tariffs anticipated this year. Slower global growth, along with anticipated reciprocal tariffs on India after 3 months, is likely to hit exports. Uncertainty about the duration and frequent changes in tariffs may hinder investments. That said, income tax cuts, softer inflation, and the RBI's rate cuts are expected to support growth this fiscal - GDP grew 6.2% on-year in the third quarter of fiscal 2025, higher than the 5.6% in the second quarter.	↓
Consumer price index (CPI) inflation	- We expect consumer price index (CPI)-linked inflation to soften to 4.3% in fiscal 2026 from of 4.6% in fiscal 2025 - Food inflation is expected to ease further supported by a healthy rabi crop, forecasts of an above-normal southwest monsoon this fiscal, and soft global food prices. A high base for food inflation this fiscal will also provide some relief. Lower crude prices should help keep non-food inflation in the comfort zone. - CPI inflation eased to 3.3% in March from 3.6% in February	↓
RBI's monetary policy	- We expect at least two more rate cuts of 25 bps each this fiscal. We also expect it to remain proactive in managing liquidity conditions to enable the transmission of rate cuts to the broader economy. - The tariff war has increased downside risks to growth and spurred the need for the RBI to ease monetary policy. Inflation is likely to be less of an issue this fiscal than in the previous one, giving the RBI space to cut interest rates. - The Reserve Bank of India's (RBI) Monetary Policy Committee (MPC) cut key policy rates by 25 basis points (bps) in April for the second consecutive policy meeting, amounting to a cumulative reduction of 50 bps in 2025. - The MPC also changed its stance to accommodative, signalling rate cuts will continue	↓
Fiscal health	- The budget has targeted a reduction in centre's fiscal deficit to 4.4% of GDP in fiscal 2026 from 4.8% of GDP in fiscal 2025 - Gross market borrowing is estimated at Rs. 14.8 lakh crore for fiscal 2026, 5.8% higher on-year. The government plans to borrow 54% of the budgeted borrowings in the first half of the fiscal.	↑
Crude oil prices	- We expect crude prices average \$65-\$70 per barrel in fiscal 2026 compared to an average of \$78.8 per barrel in fiscal 2025. - Brent crude oil prices decreased to \$67.8 per barrel average in April, 6.7% lower on-month and 24.8% lower on-year.	↓

Economic parameter	Our view	Impact on yields
Current account balance	- We expect the current account deficit (CAD) to average ~1.3% of GDP in fiscal 2026 compared to an estimated 1.0% of GDP in fiscal 2025. - The merchandise trade deficit is likely to come under pressure given the export risks from tariff war and softening global growth. That said, lower crude oil prices, healthy services trade balance and robust remittances growth will prevent CAD from widening too much. - CAD was stable at 1.1% of GDP in the third quarter, versus 1.1% in the same quarter of fiscal 2024	↑
US Federal Reserve's stance	- S&P Global expects the Fed to cut rates by 50 bps in calendar year 2025 - The Fed kept its policy rate unchanged at 4.25-4.5% for the third consecutive meeting in May. The Fed had cut rates by a cumulative 100 bps between September and December 2024.	↓
Liquidity indicators i) Demand and supply	Supply: - For April, the actual SDL borrowing was Rs 53,870 crore, compared with the budgeted borrowing of Rs 93,250 crore - RBI announced SDL issuances calendar of Rs 2,73,255 crore for Qtr. April-June 2025. Demand: - Constant demand for longer tenure G-sec and SDLs from Pension funds and Insurance Companies.	↑
ii) Call rates/liquidity-adjustment facility	Banking liquidity levels remained in the positive zone throughout April 2025, sustaining well above the Rs 1 lakh crore level for most of the month. The surplus position was essential to support the transmission of the central bank's recent policy rate cuts and bring about easier lending conditions. Despite this, bankers called for more durable long-term measures, including addressing the slowdown in deposit growth and the widening gap between credit growth and the availability of stable funding. Media reports suggested that several bankers were seeking further cuts in the cash reserve ratio (CRR) rate as a durable means to enhance liquidity and keep rising call money rates in check. Interbank call money rates remained below the newly set repo rate of 6.0% during the latter half of April, with the WACR for the month coming in at around 5.94%.	↓

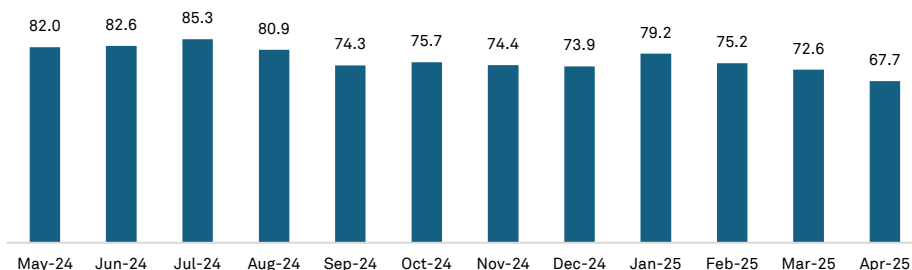
April at a glance



Source: Crisil Intelligence

Crude oil prices fall

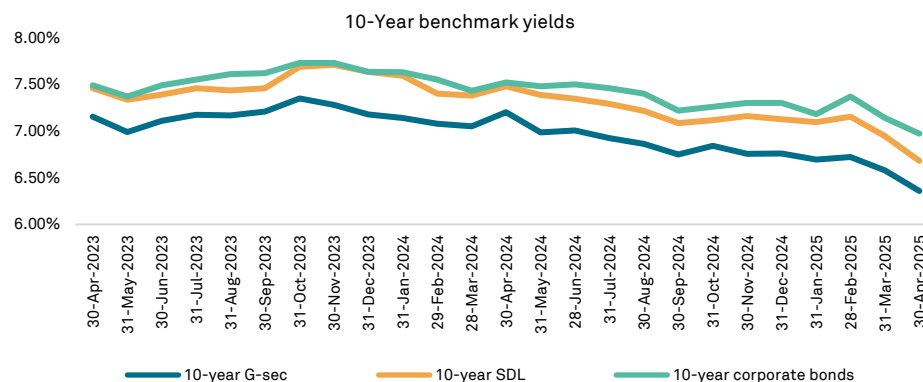
Brent Crude (\$/barrel average)



Brent crude oil prices declined to \$67.7 per barrel on average in April, down 6.75% on month.

Source: Crisil Intelligence

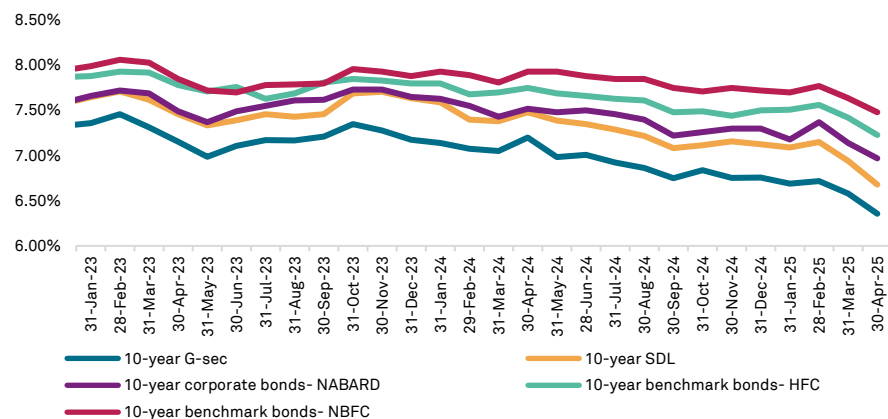
Yields on benchmark G-sec, SDLs and corporate bonds (PSU FI) ease



Yield on the 10-year benchmark G-sec closed at 6.36% in April, down 22 bps from the previous month's close. The yield on the 10-year SDL eased 26 bps to 6.71% and that on the 10-year corporate bond (10-year PSU FI) declined 17 bps to 6.97%.

Source: Crisil Intelligence

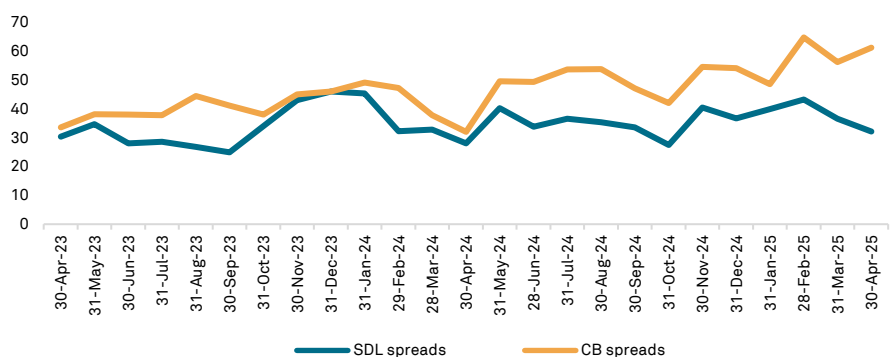
10-year G-sec/SDL/corporate bond benchmark yields



Yield on 10-year AAA-rated PSU bonds decreased to 6.97% from 7.14%. SDLs ended April at 6.68%, down from 6.94% in March. Yields on bonds issued by housing finance companies (HFCs) declined to 7.23% from 7.42% the previous month, while those on bonds issued by non-banking financial companies (NBFCs) fell to 7.48% from 7.64%.

Source: Crisil Intelligence

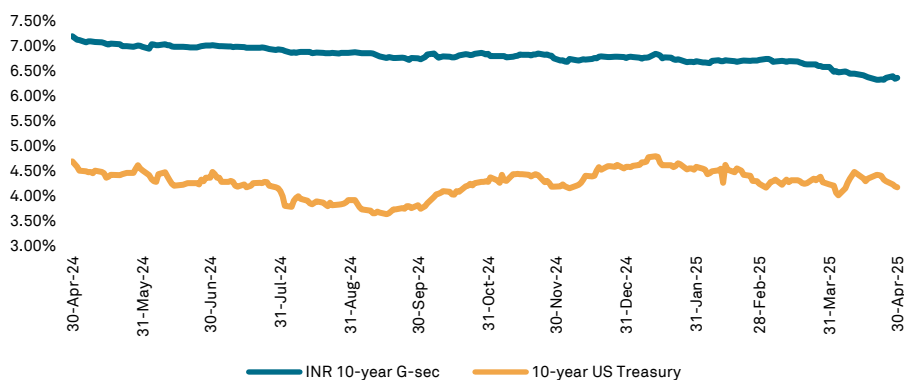
Corporate bonds and SDL yield spreads over 10-year benchmark G-sec yields



The spread of the 10-year benchmark SDL over the 10-year benchmark G-sec closed at ~32 bps in April, down ~4 bps from the previous month's close. Meanwhile, the spread of the 10-year AAA-rated public sector corporate bonds (PSU FI) closed at ~61 bps, up ~5 bps. The 12-month average spreads on the 10-year benchmark SDL and PSU FI over the 10-year benchmark G-sec were ~36 bps and ~53 bps, respectively.

Source: Crisil Intelligence

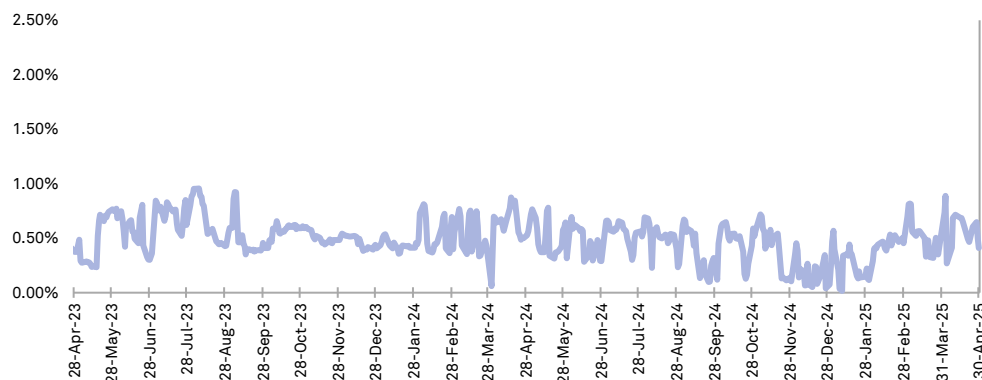
US Treasury and G-sec yield trajectory



US Treasury yields ended at 4.17% in April, ~6 bps down from March's close of 4.23%. The monthly spread between the domestic benchmark 10-year G-sec and the 10-year US Treasury yield narrowed to 219 bps in April 2025 from 235 bps in the previous month.

Source: Crisil Intelligence

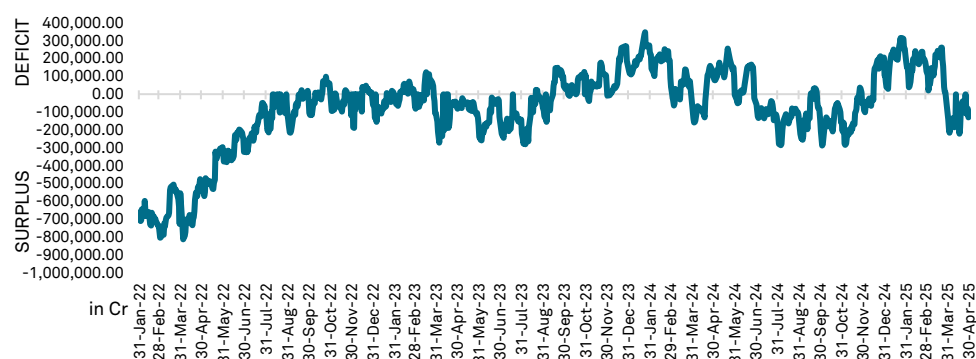
Term premium between 10-year benchmark G-sec and TREPS



The average spread between the 10-year benchmark G-sec yield and the tri-party repo (TREPS) was ~57 bps in April 2025 as against ~53 bps in the previous month. The 12-month average spread was ~43 bps.

Source: Crisil Intelligence

Systemic liquidity



The average systemic liquidity surplus was ~Rs 1.40 lakh crore in April, as against Rs 1.46 lakh crore deficit in March. The average liquidity surplus over the past 12 months was Rs 0.04 lakh crore. Liquidity in April peaked at Rs 2.21 lakh crore.

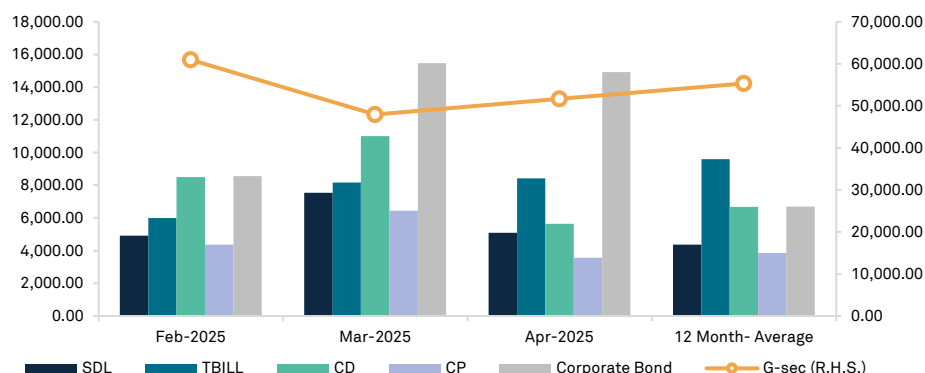
*Net liquidity is calculated as repo + marginal standing facility + standing liquidity facility - reverse repo
Source: Crisil Intelligence

Benchmark spreads over G-secs

Spreads over G-Sec*				
Rating Category	Date	PSU / Corporates	NBFC	Housing Finance Companies
AAA	31-Mar-25	0.62%	1.08%	0.89%
	30-Apr-25	0.74%	1.14%	0.92%
AA+	31-Mar-25	1.07%	1.64%	1.58%
	30-Apr-25	1.25%	1.73%	1.63%
AA	31-Mar-25	1.33%	2.35%	2.10%
	30-Apr-25	1.51%	2.45%	2.16%
AA-	31-Mar-25	2.14%	3.40%	2.84%
	30-Apr-25	2.15%	3.50%	2.96%

*Spreads are for five-year securities over the annualised G-sec yield; selection of representative issuers has been re-evaluated as per the periodic review
Source: Crisil Intelligence

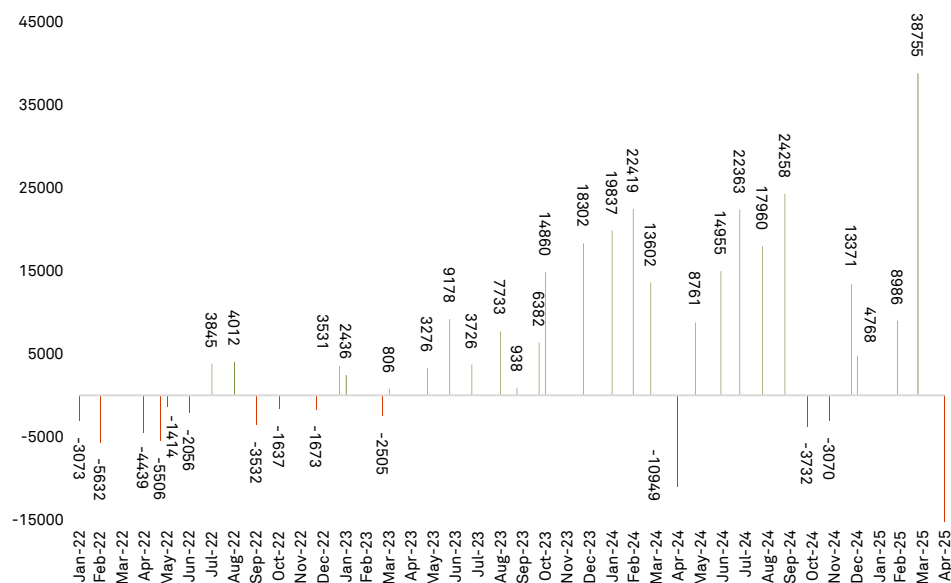
Trading volume decreases across securities except G-sec & T-Bill



G-sec trading volume in April increased 7.75% on month and T-bills increased 3.10%. SDL volume decreased 32.55% and that of corporate bonds decreased 3.54%. Trading volume in certificates of deposit and commercial papers (CPs) decreased 48.81% and 44.58%, respectively. Trading volume in CPs decreased 24.38%.

Source: Crisil Intelligence

FPI outflows



Net FPI outflow into the debt market was Rs 18,735 crore in April versus an inflow of Rs 38,755 crore in March (debt general limit plus debt fully accessible route (FAR)). Outflows into debt FAR in April stood at Rs 5,421 crore. Foreign portfolio investors were net buyers in equity worth Rs 4,223 crore.

One of the key drivers behind the sell-off in the Indian debt market is the narrowing yield spread between Indian and US government bonds, with the 10-year spread tightening to 219 bps from 235 bps in the previous month.

Source: Crisil Intelligence

Rating upgrades in April 2025

Upgrades		
Issuer name	Old rating as per Crisil	New rating
Hindustan Construction Co. Ltd.	CARE BB+	CARE BBB-
TVS Credit Services Ltd.	CRISIL AA-	CRISIL AA
Thane Creek Bridge Infrastructure Ltd.	ACUITE AA-	ACUITE AA(CE)
Cholamandalam MS General Insurance Co. Ltd.	CRISIL AA	Crisil AA+
Varroc Engineering Ltd.	IND AA-	IND AA
Inbrew Beverages Pvt. Ltd.	IVR B+	IVR BB-
Andhra Pradesh Capital Region Development Authority	Crisil BB+(CE)	Crisil BBB-(CE)
Deepak Fasteners Ltd	CARE B+	CARE BB+

Downgrades		
Issuer name	Old rating as per Crisil	New rating
Saisrushti (Kengeri) Projects Pvt. Ltd.	IVR BB-	IVR D
Fortune Metals Ltd.	CRISIL BBB	CRISIL BB+

About Crisil Intelligence (formerly Market Intelligence & Analytics)

Crisil Intelligence is a leading provider of research, consulting, risk solutions and advanced data analytics, serving clients across government, private and public enterprises. We leverage our expertise in data-driven insights and strong benchmarking capabilities to help clients navigate complex external ecosystems, identify opportunities and mitigate risks. By combining cutting-edge analytics, machine learning and AI capabilities with deep industry knowledge, we empower our clients to make informed decisions, drive business growth and build resilient capacities.

For more information, visit Intelligence.Crisil.com

About Crisil

Crisil is a global, insights-driven analytics company. Our extraordinary domain expertise and analytical rigour help clients make mission-critical decisions with confidence. Large and highly respected firms partner with us for the most reliable opinions on risk in India, and for uncovering powerful insights and turning risks into opportunities globally. We are integral to multiplying their opportunities and success.

Headquartered in India, Crisil is majority owned by S&P Global.

Founded in 1987 as India's first credit rating agency, our expertise today extends across businesses: Crisil Ratings, Crisil Intelligence, Crisil Coalition Greenwich and Crisil Integral IQ.

Our globally diverse workforce operates in the Americas, Asia-Pacific, Europe, Australia and the Middle East, setting the standards by which industries are measured.

For more information, visit www.Crisil.com

Connect with us: [LinkedIn](#) | [Twitter](#)

About Regulated Research provided by Crisil Limited

Crisil Limited is registered as a Research Analyst with SEBI (Registration No INH000007854), herein referred to as "Crisil Intelligence". We provide insights, opinion, analysis, and data on the Indian economy, industry, capital markets, and companies.

We are the largest valuation agency for fixed income securities, and a prominent debt and hybrid index provider in India. We publish rankings for mutual fund schemes, and provide granular portfolio analysis services for asset managers, financial intermediaries, retirement funds and institutional investors.

Our data and analytics platforms - Alphatrx and Quantix - enable our clients to assess Industry and Company level risks based on Crisil's proprietary models.

Our Company reports (that combine select financial and non-financial data, analytics from our proprietary risk models, and commentary on company's financial performance) are used by commercial banks, financial institutions, and non-banking finance companies as part of their credit/ risk management process.

Our SME Gradings, used by lenders, assess creditworthiness of SME enterprises relative to the peers leveraging our proprietary grading model. The framework includes assessment of entity-level financial and operating performance, as well as industry-level drivers.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

For additional disclosures please click on this link

CRISIL Privacy Statement

Crisil respects your privacy. We may use your contact information, such as your name, address, and email id to fulfil your request and service your account and to provide you with additional information from Crisil. For further information on Crisil's privacy policy please visit <https://www.crisil.com/content/crisilcom/en/home/crisil-privacy-notice.html>

Analyst Disclosure

Members of the team (including their relatives) involved in the preparation of this report and whose names are published as part of this report, as may be required, hereby affirm that

1. there exists no conflict of interest (including any financial interest or actual/ beneficial ownership of 1% or more of the securities of the subject companies) that can bias the output of the Report.
2. Neither the members have served as officers, directors, or employees of the companies analyzed in the report in the last 6 months nor have they engaged in market making activities for the subject companies.
3. None of the members of the team involved in the preparation of this report have received any compensation whatsoever from the subject company or third party in the past twelve months in connection with the research report.
4. None of the members involved in the preparation of this report have managed or co-managed public offering of securities for the subject company in the past twelve months

Terms and Conditions

This Report is based on data publicly available or from sources considered reliable. Crisil Intelligence does not represent that the Report is accurate or complete and hence, it should not be relied upon as such. Opinions expressed herein are our current opinions as on the date of this report. Nothing in this report constitutes investment, legal, accounting or tax advice or any solicitation, whatsoever. The subscriber/ user assumes the entire risk of any use made of this data/ report. Crisil especially states that, it has no financial liability whatsoever, to the subscribers/ users of this report.

This Report is additionally subject to your contractual terms with Crisil.

The report is for use within the jurisdiction of India only. Nothing in this report is to be construed as Crisil providing, or intending to provide, any services in other jurisdictions where Crisil does not have the necessary permissions and/ or registration to carry out its business activities. The user will be solely responsible for ensuring compliance for use of the report, or part thereof, outside India.

Crisil Limited operates independently of, and does not have access to information obtained by Crisil Ratings Limited, which may, in their regular operations, obtain information of a confidential nature. The views expressed in this Report are that of Crisil Intelligence, and not of Crisil Ratings Limited.

Company Disclosure

1. Crisil Intelligence or its associates do not provide investment banking or merchant banking or brokerage or market making services.
2. Crisil Intelligence encourages independence in research report preparation and strives to minimize conflict in preparation of research reports through strong governance architecture comprising of policies, procedures, and disclosures
3. Crisil Intelligence prohibits its analysts, persons reporting to analysts, and their relatives from having any financial interest in the securities or derivatives of companies that the analysts cover.
4. Crisil Intelligence or its associates collectively may own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.
5. Crisil Intelligence or its associates may have financial interest in the form of holdings in the subject company mentioned in this report.
6. Crisil receives compensation from the company mentioned in the report or third party in connection with preparation of the research report.
7. As a provider of ratings, grading, data, research, analytics and solutions, infrastructure advisory, and benchmarking services, Crisil or its associates are likely to have commercial transactions with the company and may receive compensation for the services provided.
8. Crisil Intelligence or its associates do not have any other material conflict of interest at the time of publication of the report.

Argentina | Australia | China | Colombia | Hong Kong | India | Japan | Poland | Singapore | Switzerland | UAE | UK | USA

Crisil Limited: Lightbridge IT Park, Saki Vihar Road, Andheri East, Mumbai 400 072, India

Phone: +91 22 6137 3000 | <https://Intelligence.Crisil.com>

[in/company/crisil](#) [@CrisilLimited](#) [f/CrisilLimited](#) [y/user/CrisilLimited](#) [@lifeatcrisil](#)

Crisil
a company of **S&P Global**