



# FIXED INCOME UPDATE

## August 2025



## Fixed Income Update

Bank Credit Growth	Bank Deposit Growth
9.8%	10.1%

Money Market				
Tenure	CD (%)	Change*	CP (%)	Change*
1M	5.70	-18	6.05	-20
3M	5.77	-11	6.18	-7
6M	6.03	-10	6.36	-18
12M	6.25	-10	6.60	-18

Tenure	G-Sec (%)	Change*	AAA CB (%)	Change*
1Y	5.59	-3	6.52	-6
3Y	5.88	-3	6.70	10
5Y	6.11	8	6.74	2
10Y	6.37	10	6.97	5

Overnight rates hovered below policy repo rate of 5.50% on the back of increased government spending following a record Rs 2.7 trillion dividend payout by the RBI.

G-secs traded in a narrow range for the better part of the month. The yield on the new 10-year benchmark 6.33% GS 2035 paper was at 6.38% on July 31, 2025 vs 6.32% on June 30, 2025.

In the first half of the month, a fall in the US Treasury yields amid lower crude oil prices and strong liquidity surplus supported bond prices.

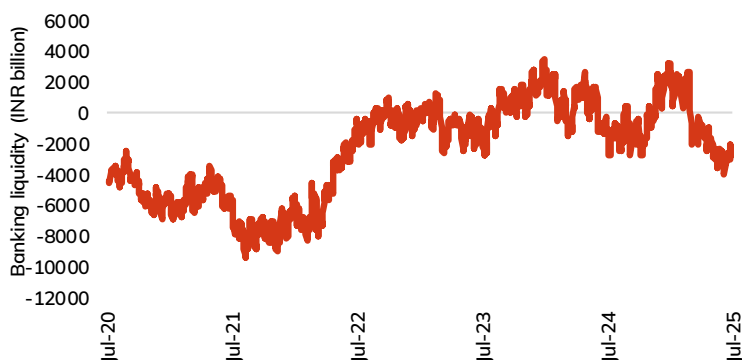
Further gains were capped after indications of a hawkish stance by the US Federal Reserve and the RBI.

Data as on July 31, 2025. \*Change in basis points (bps) Data Source- RBI, Mospi.Nic.in; Credit & Deposit Growth data as on June 13, 2025; Y-o-Y represents Year-on-Year growth. CRISIL Fixed Income Database, CP - Commercial Paper, CD - Certificate of Deposit, CB - Corporate Bond.



## Macro Update

GST Collection (Goods & Services Tax)	₹1.96 lakh crore (July 2025)
Forex Reserves	\$698 billion (July 25, 2025)
Manufacturing PMI	59.1 (In July 2025)



**CRUDE:** Brent crude closed at \$72.8 per barrel on July 31, 2025, up 7.7% from \$67.6 per barrel on June 30, 2025.



**INFLATION:** CPI inflation eased to 2.10% on year in July 2025 from 2.82% in June 2025.



**CURRENCY USD/INR:** Rupee closed at Rs.87.55 on July 31, 2025, up 2.3% compared with Rs 85.54 on June 30, 2025.



**Gold:** Gold prices closed at Rs 98,068 per 10 gm on July 31, 2025, up 2.5% from Rs 95,676 per 10 gm on June 30, 2025.

Data Source - RBI, Mospi.Nic.in, CRISIL Fixed Income Database ; CPI - Consumer Price Index, WPI - Wholesale Price Index, GDP - Gross Domestic Product. PMI - Purchasing Managers' Index.

Source: CRISIL. Data as on July 31, 2025.



## Our Outlook

In July 2025, we saw bond markets remain under pressure as investors interpreted the RBI's hawkish shift in policy stance, even as June 2025 inflation print undershoot RBI's own forecasts. Market hopes for further policy easing were dashed after RBI Governor said the ball for further easing is now higher than it would have been if the stance was still "accommodative".

Given a strong Q4FY25 growth print, and injection of monetary and fiscal stimulus measures, economic growth recovery may be quick and push us back into expansion mode; inflation could pick up as well; and as a result, cause the yield curve to steepen.

Hence, we have maintained defensive positioning on the yield curve, preferring the extreme shorter-end and extreme longer-end as a barbell strategy while avoiding the belly of the yield curve.

We favor accruals in shorter-tenure corporate bonds up to 2 years. We recommend schemes like low duration, ultra-short duration, money market, short duration, banking and PSU, corporate bond, dynamic bond and credit risk funds in this period.

### Market Activity

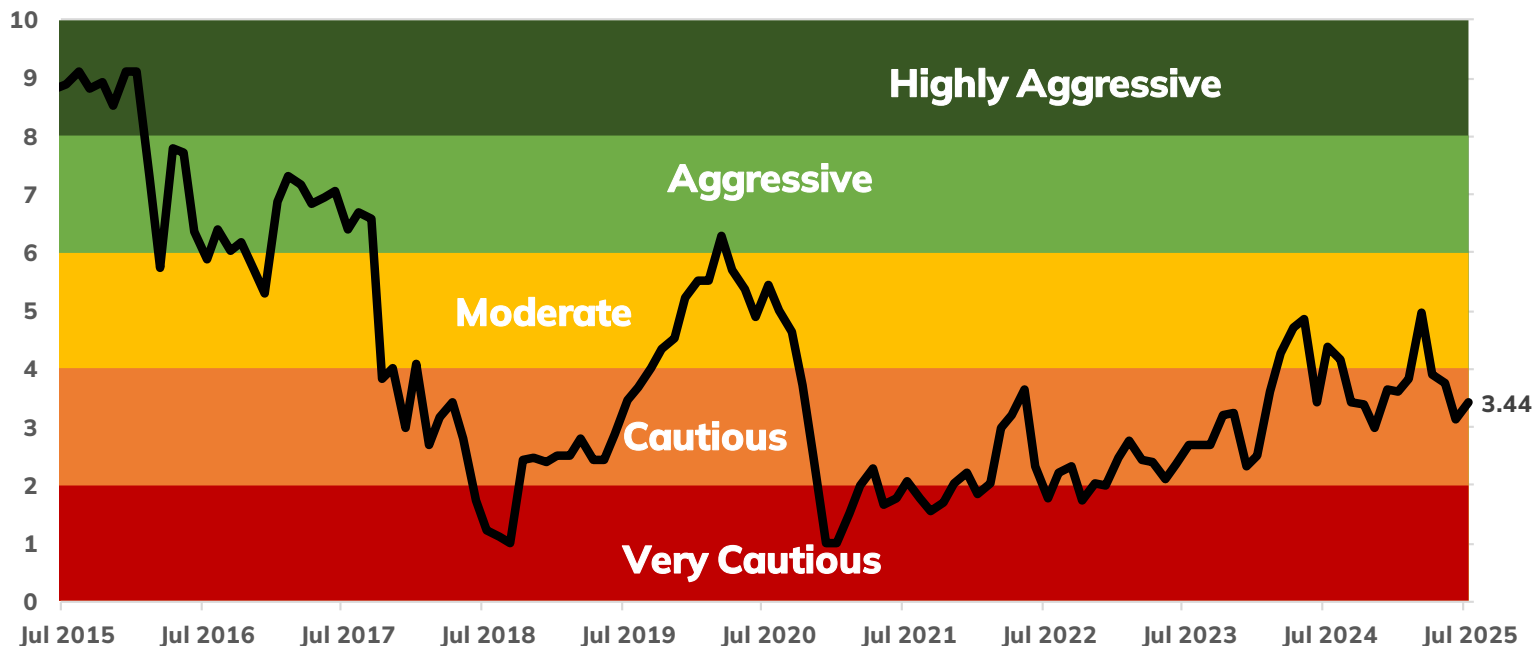
The 10-year Indian benchmark bond yield rose ~6 bps during the month to 6.38% on July 31, 2025 from 6.32% on June 30, 2025.

Overnight rates hovered below the repo rate of 5.50% owing to surplus banking liquidity.

The 91-day T-bill yield rose 1 bp on-month to 5.40% whereas the 182-day T-bill ended flat on-month at 5.50% owing to surplus liquidity. (Source: CCIL)

bps – basis points; T-bill – Treasury Bill; GDP – Gross Domestic Product; RBI – The Reserve Bank of India.

## Debt Valuation Index for Duration Risk Management



Data as on July 31, 2025. Debt Valuation Index considers WPI, CPI, Sensex returns, Gold returns and Real estate returns over G-Sec yield, Current Account Balance, Fiscal Balance, Credit Growth and Crude Oil Movement for calculation. RBI – Reserve Bank of India. Debt Valuation Index is a proprietary model of ICICI Prudential AMC Ltd. (the AMC) used for assessing overall debt valuations. The AMC may also use this model for other facilities/features offered by the AMC.



# Our Recommendation

Category	Scheme	Indicative Investment Horizon
<b>For Parking Surplus Funds</b>		
Arbitrage	ICICI Prudential Equity - Arbitrage Fund	3 months and above
Measured Equity	ICICI Prudential Equity Savings Fund	6 months and above
Low duration	ICICI Prudential Savings Fund	3 months and above
	ICICI Prudential Ultra Short Term Fund	60 days and above
<b>Short Term Approach</b>		
Moderate Duration + Accruals	ICICI Prudential Short Term Fund	6 months and above
	ICICI Prudential Corporate Bond Fund	6 months and above
Accruals	ICICI Prudential Banking & PSU Debt Fund	9 months and above
	ICICI Prudential Credit Risk Fund	1 year and above
	ICICI Prudential Medium Term Bond Fund	1 year and above
<b>Long Term Approach</b>		
Dynamic Duration	ICICI Prudential All Seasons Bond Fund	3 years and above

None of the aforesaid recommendations are based on any assumptions. These are purely for reference and the investors are requested to contact their financial advisors before investing. Note: The Macaulay duration is the weighted average term to maturity of the cash flows from a bond. The weight of each cash flow is determined by dividing the present value of the cash flow by the price.

## Riskometers

### ICICI Prudential Equity Savings Fund

(An open ended scheme investing in equity, arbitrage and debt.)

This product is suitable for investors who are seeking\*:

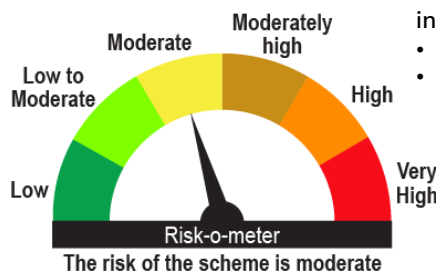
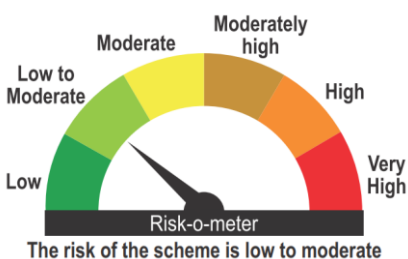
- Long term wealth creation.
- An open ended scheme that seeks to generate regular income through investments in fixed income securities, arbitrage and other derivative strategies and aim for long term capital appreciation by investing in equity and equity related instruments.

### ICICI Prudential Savings Fund

(An open ended low duration debt scheme investing in instruments such that the Macaulay Duration of the portfolio is between 6 months and 12 months. A relatively high interest rate risk and moderate credit risk.)

This product is suitable for investors who are seeking\*:

- Short term savings
- An open ended low duration debt scheme that aims to maximise income by investing in debt and money market instruments while maintaining optimum balance of yield, safety and liquidity.

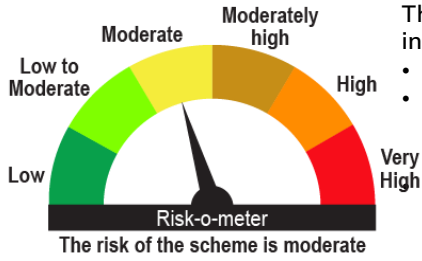


Please note that the Risk-o-meter(s) specified above will be evaluated and updated on a monthly basis. The above risk-o-meters are as on June 30, 2025. Please refer to <https://www.icicipruamc.com/news-and-updates/all-news> for more details.

# Riskometers

## ICICI Prudential Corporate Bond Fund

(An open ended debt scheme predominantly investing in AA+ and above rated corporate bonds. A relatively high interest rate risk and moderate credit risk.)

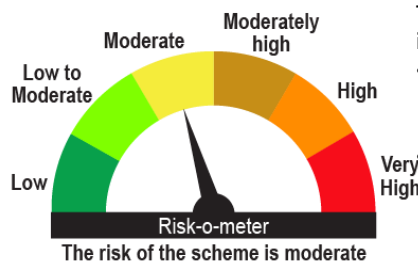


This product is suitable for investors who are seeking\*:

- Short term savings
- An open ended debt scheme predominantly investing in highest rated corporate bonds.

## ICICI Prudential Short Term Fund

(An open ended short term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 1 years and 3 years. A relatively high interest rate risk and moderate credit risk.)

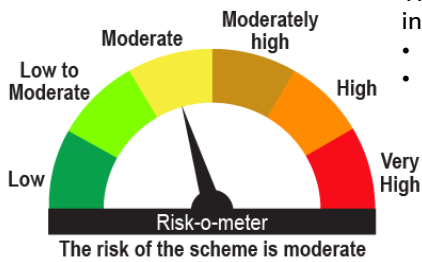


This product is suitable for investors who are seeking\*:

- Short term income generation and capital appreciation solution
- A debt fund that aims to generate income by investing in a range of debt and money market instruments of various maturities.

## ICICI Prudential Ultra Short Term Fund

(An open ended ultra-short term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 months and 6 months. A moderate interest rate risk and moderate credit risk.)

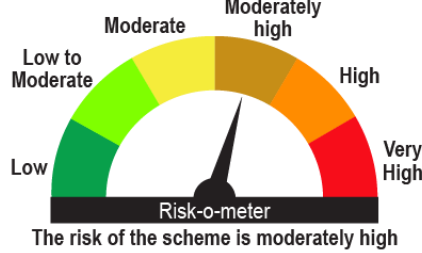


This product is suitable for investors who are seeking\*:

- Short term regular income
- An open ended ultra short term debt scheme investing in a range of debt and money market instruments.

## ICICI Prudential Medium Term Bond Fund

(An open ended medium term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 Years and 4 Years. The Macaulay duration of the portfolio is 1 Year to 4 years under anticipated adverse situation. A relatively high interest rate risk and moderate credit risk.)

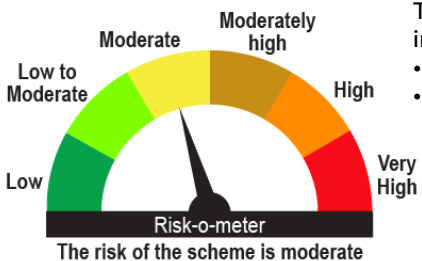


This product is suitable for investors who are seeking\*:

- Medium term savings
- A debt scheme that invests in debt and money market instruments with a view to maximize income while maintaining optimum balance of yield, safety and liquidity.

## ICICI Prudential Banking & PSU Debt Fund

(An open ended debt scheme predominantly investing in Debt instruments of banks, Public Sector Undertakings, Public Financial Institutions and Municipal bonds. A relatively high interest rate risk and moderate credit risk.)

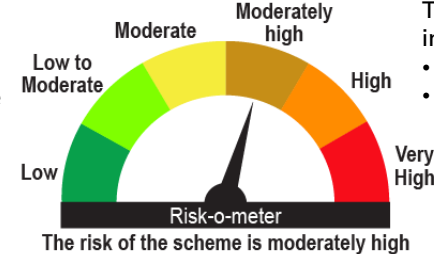


This product is suitable for investors who are seeking\*:

- Short term savings
- An open ended debt scheme predominantly investing in debt instruments of banks, Public Sector Undertakings, Public Financial Institutions and Municipal Bonds.

## ICICI Prudential All Seasons Bond Fund

(An open ended dynamic debt scheme investing across duration. A relatively high interest rate risk and moderate credit risk.)

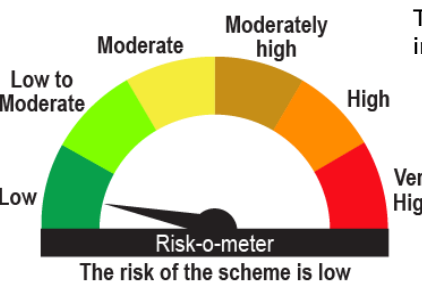


This product is suitable for investors who are seeking\*:

- All duration savings
- A debt scheme that invests in debt and money market instruments with a view to maximize income while maintaining optimum balance of yield, safety and liquidity.

## ICICI Prudential Equity - Arbitrage Fund

(An open ended scheme investing in arbitrage opportunities.)

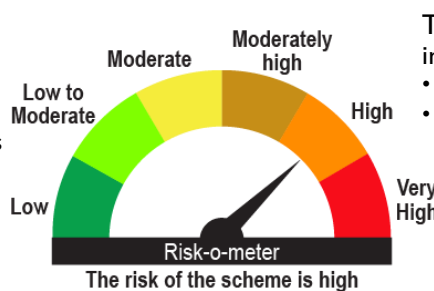


This product is suitable for investors who are seeking\*:

- Short Term Income Generation
- A hybrid scheme that aims to generate low volatility returns by using arbitrage and other derivative strategies in equity markets and investments in debt and money market instruments

## ICICI Prudential Credit Risk Fund

(An open ended debt scheme predominantly investing in AA and below rated corporate bonds. A relatively high interest rate risk and relatively high credit risk.)



This product is suitable for investors who are seeking\*:

- Medium term savings
- A debt scheme that aims to generate income through investing in AA and below rated corporate bonds while maintaining the optimum balance of yield, safety and liquidity.

# Potential Risk Class Matrix

The Potential risk class (PRC) matrix based on interest rate risk and credit risk.

Sr No	Scheme Name	Position in the Matrix																								
1	ICICI Prudential Medium Term Bond Fund	<table border="1"> <thead> <tr> <th colspan="4">Potential Risk Class</th> </tr> <tr> <th>Credit Risk→</th> <th>Relatively Low (Class A)</th> <th>Moderate (Class B)</th> <th>Relatively High (Class C)</th> </tr> </thead> <tbody> <tr> <th>Interest Rate Risk ↓</th> <td></td> <td></td> <td></td> </tr> <tr> <td>Relatively Low (Class I)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Moderate (Class II)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Relatively High (Class III)</td> <td></td> <td>B-III</td> <td></td> </tr> </tbody> </table>	Potential Risk Class				Credit Risk→	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)	Interest Rate Risk ↓				Relatively Low (Class I)				Moderate (Class II)				Relatively High (Class III)		B-III	
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# Disclaimer

## **Mutual Fund investments are subject to market risks, read all scheme related documents carefully.**

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