



Data Taste Revealed

11.11.2025

Economic Research Vertical: Canara Bank: Head Office

Discussion

Why Bond Yield Worldwide are decoupled from Policy rate Change of Major Economies?

Data Source

<https://www.bloomberg.com/markets/rates-bonds>

Reflections

- ✓ Most major central banks pivoted to easing of Policy rate in 2025.
- ✓ Japan alone tightened, while bond-market reactions diverged.
- ✓ Yields haven't fallen (US, UK & India) proportionally to cuts, signalling markets' caution on sustained low rates amid U.S. tariffs and deficits (\$36T+ debt).
- ✓ In India ,RBI has cut rates by 100 bps since February ,but the 10-year bond yield has fluctuated between a low of 6.16% as on 28-05-202 and high 6.51% as on 06-11-2025), leading RBI to convey unease to market Participants.

Movement of 10-Yr. Bond Yield Vs. Policy Rate of Major Economies

Economy	Policy rate			10- Yr. Bond Yield			Outcome & Reason
	Nov 2024	Nov 2025	Policy change (bps)	Nov 2024	Nov 2025	Yield change (bps)	
United States	4.50-4.75%	3.75-4.00%	-75	4.37%	4.01%	-36	Partial drop in Yield , Not In Proportionate to Rate Cut due to tariffs & \$38T debt
Euro area / Germany	3.25%	2.00%	-125	2.31%	2.67%	+36	Yield has gone up despite cut due to Fiscal spending > ECB cuts
Japan	0.25%	0.50%	+25	1.05%	1.82%	+77	Strong rise in yield despite cut. Reason may be due to Normalization effort + inflationary pressure
United Kingdom	4.75%	4.00%	-75	4.30-4.45%	4.50%	+20	Strong divergence (Yields up vs. cuts) due to persistent inflation, fiscal risks
China	1-yr LPR = 3.10%	3.00%	10	2.20%	1.82%	-38	Good alignment of policy cut vs Bond as yield Fell is greater than (>) cut due to stimulus, deflation in economy.
India	6.50%	5.50%	-100	6.70%	6.50%	-20	Partial alignment of Policy cut with Bond yield. Although yields declined but lagged the aggressive RBI easing

Key Takeaway:

The message is clear. Markets are worried about inflation, deficits and debt sustainability and have less confidence in the ability of central Banks to keep interest rate low through monetary easing .This is a ,definitely, worrying sign, as markets are not following central