



MPC KEEPS POLICY RATES UNCHANGED

5th June 2026

EXECUTIVE SUMMARY

- MPC kept the repo rate unchanged at 5.25% and retained the Neutral stance.
- The committee voted unanimously to maintain status quo, citing uncertainty from the West Asia conflict, elevated energy prices, supply chain disruptions, and El Nino-related monsoon risks.
- RBI simultaneously unveiled a package of measures to attract foreign capital and support external sector stability.

POLICY RATES REMAIN UNCHANGED

POLICY REPO RATE	5.25%
STANDING DEPOSIT FACILITY (SDF)	5.00%
MARGINAL STANDING FACILITY (MSF)	5.50%

INFLATION-GROWTH DYNAMICS

PERIOD	GDP GROWTH ESTIMATES (IN %)		CPI INFLATION ESTIMATES (IN %)		CONCLUSION
	Apr-26	Jun-26	Apr-26	Jun-26	
1QFY27	6.8	6.6 ↓	4	4.2 ↑	UPSIDE RISK TO INFLATION but still within the tolerance band of 2%–6%.
2QFY27	6.7	6.3 ↓	4.4	5.1 ↑	
3QFY27	7	6.5 ↓	5.2	5.9 ↑	DOWNSIDE RISK TO GDP but still resilient above 6%.
4QFY27	7.2	6.8 ↓	4.7	5.4 ↑	
FY2027	6.9	6.6 ↓	4.6	5.1 ↑	
RISKS TO OUTLOOK <ul style="list-style-type: none"> Uncertainty about the duration and intensity of the war Pace of restoration of supply chains Magnitude of its spillover effects Weather-related disturbances caused by El Nino 					

LIQUIDITY AND EXTERNAL SECTOR

Liquidity adequate standing at an average daily surplus of ₹2.63 lakh crore.

Foreign exchange reserves remained robust at US\$682.3 billion, providing about 11 months of import cover and covering 89.1% of external debt.

Recent trade agreements, energy initiatives, and external financing reforms are expected to improve India's balance of payments.

Name of MF – Bajaj Finserv Mutual Fund | Registration no. – MF/078/23/04

MEASURES ANNOUNCED TO ATTRACT FOREIGN CAPITAL

- Government securities under the Fully Accessible Route (FAR) framework were expanded to include all new 15-, 30- and 40-year G-Sec issuances, FPI investment restrictions were relaxed and the government simultaneously exempted foreign investors from capital gains tax on government securities, collectively enhancing the attractiveness of Indian debt markets and supporting government borrowing.
- Investment limits for Non-Resident Individuals (NRIs) and Overseas Citizen of India (OCIs) in listed equities were increased and the same facility was extended to all individual Persons Resident Outside India (PROIs), broadening overseas participation in Indian equity markets.
- A concessional forex swap facility has been introduced until September 30, 2026, to lower the effective cost of External Commercial Borrowings (ECBs) and encourage overseas fundraising by public sector undertakings.
- RBI will bear the full hedging cost for fresh 3–5 year FCNR(B) deposits mobilised by banks until September 30, 2026, to attract NRI deposits and strengthen foreign exchange reserves.
- The export proceeds realisation period has been restored to 9 months from 15 months, accelerating foreign exchange inflows and improving external sector liquidity.

OUR OUTLOOK

The policy pause was a calibrated move by the RBI, allowing it to retain flexibility amid a more challenging global backdrop. The pause would help gauge the evolving inflation-growth dynamics.

The policy also introduced a broad package aimed at improving capital flows rather than responding through rates. These steps are well complemented by the government's separate tax exemptions on FII investments in G-Secs, materially improving post-tax returns.

We believe the possibility of a sharper upward revision in inflation keeps rate hike expectations alive in the coming quarters. This would be seen as a measure to counter inflation surprises rather than a currency defence measure.

Moreover, while the taxation relief is a structural positive, actual inflows may be gradual given limited rate differentials and persistent global uncertainty.

We continue to remain positive on the extreme-short (money market rates) and shorter end (up to 3 years) of the yield curve (less than 1 year and the 1–3 year segment). Yields in this space are already pricing in 50–75 bps of rate hikes and are providing favorable accrual opportunities to investors.

We would remain opportunistic in our approach based on the duration and intensity of geopolitical tensions, as well as the impact of El Nino on food prices.

Source: RBI Governor's Speech, Internal Analysis. Data as on 5th June 2026.

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