

RBI MPC Announcements and Fixed Income House View

6th June 2025

Key Decisions

At its meeting held today, the RBI Monetary Policy Committee (MPC) voted with a 5-1 majority to cut key rates by 50 bps (Repo Rate at 5.50%, SDF rate at 5.25% and MSF rate at 5.75%). This came in as a surprise as most of the market expected a 25-bps cut in the repo rate.

The MPC also decided to change the stance from accommodative to neutral. This again came as a surprise to market. The change of stance signals very small room for further rate cuts in the cycle considering the current growth inflation dynamics.

Rates	6 th June 2025	9 th April 2025
Repo Rate – Rate at which Banks borrow from RBI	5.50%	6.00%
MSF Rate (Marginal Standing Facility)	5.75%	6.25%
Standing Deposit Facility - New Operating Rate	5.25%	5.75%
Bank Rate	5.75%	6.25%
Policy Corridor - difference between MSF Rate and SDF	50	50
LAF Corridor - difference between Operating Rate (SDF) and repo rate	25	25

Inflation Projection (CPI)

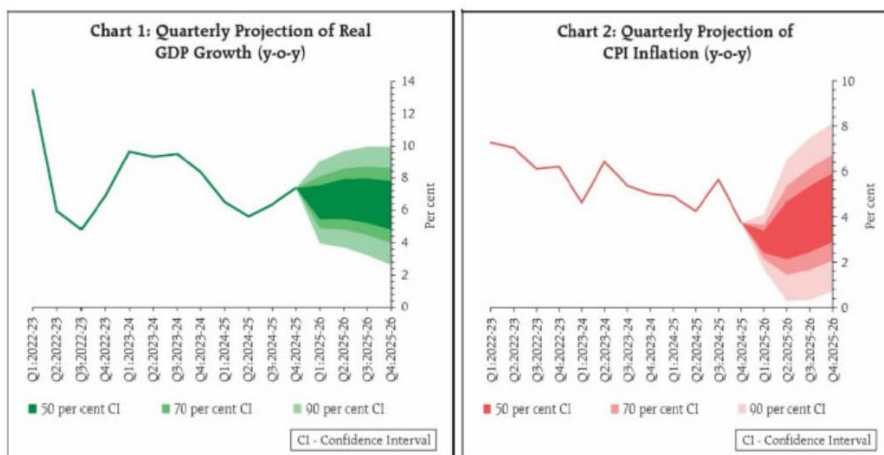
MPC	Q1FY26	Q2FY26	Q3FY26	Q4FY26	FY26
6-Jun	2.90%	3.40%	3.90%	4.40%	3.70%
9-Apr	3.60%	3.90%	3.80%	4.40%	4.00%

Real GDP Forecast

MPC	Q1FY26	Q2FY26	Q3FY26	Q4FY26	FY26
6-Jun	6.50%	6.70%	6.60%	6.30%	6.50%
9-Apr	6.50%	6.70%	6.60%	6.30%	6.50%

GDP Growth Estimates

- Global economic near-term outlook is mixed with challenges of slower pace of disinflation, lingering geopolitical conflicts and policy uncertainties
- On the domestic front, real GDP is expected to grow at 6.4% in FY25 supported by recovery in private consumption, service sector, recovery in agricultural sector while industrial growth remains a drag.
- Agriculture prospects remain bright on the back of an above normal southwest monsoon forecast and resilient allied activities. Services sector is expected to maintain its momentum.
- Headwinds from geo-political tensions, protectionists trade policies, volatility in commodity prices, and financial market uncertainties pose risk to growth.
- Real GDP growth for FY26 is projected at 6.5%, with Q1 at 6.5%, Q2 at 6.70 per cent; Q3 at 6.60% and Q4 at 6.3%.
- Inflation outlook continues to point towards benign prices across major constituents.
- Most projections are pointing towards continued moderation in prices of key commodities including crude oil.
- Taking these factors into consideration, CPI inflation for FY26 is projected at 3.7% with Q1 at 2.9%, Q2 at 3.4%, Q3 at 3.9% and Q4 at 4.4%.



On Liquidity

- In the continuous attempt to take proactive steps in managing liquidity to support growth, RBI has decided to cut the Cash Reserve Ratio (CRR) by 100 bps. This came as a surprise to the market.
- The CRR cut will be in a staggered manner starting from September 2025. The cut is expected to bring in liquidity of approximately 2.5 Trillion rupees.
- The CRR cut will support liquidity and will offset liquidity crunch due to CIC leakage in festive period.

Fixed Income Outlook post Monetary Policy

A departure from recent practice, RBI used entire space available currently in the Monetary Policy framework to support growth. Instead of taking piece-meal steps and waiting, RBI decided to front load the clarity provided by forecasts, thereby bringing forward the expected trajectory and leaving no room for future expectations. This comes as a surprise to the market, which generally makes assumptions basis expectations.

Concurrently, RBI has changed the stance from accommodative to neutral signaling that the room for further rate cut is minimal and RBI has arrived at the terminal rate within this rate cut cycle. This brings the cut-cycle to earlier than expected end (on time scale), though the quantum is in line with what market was expecting finally as a terminal rate.

RBI has projected FY26 inflation at 3.7% and growth at 6.5%. Our sense is RBI has acknowledged that inflation is within controllable levels and has shifted focus towards supporting growth.

RBI has taken pro-active measures to cut CRR by 100 bps to provide liquidity to the market. The CRR cut will come into effect in a staggered manner starting September 2025 with 25 bps cut in CRR rate every alternate fortnight. This will offset the liquidity drain caused by CIC leakages during festive periods.

The market reaction post policy was negative, as no further easing is in sight. Yield curve has steepened and is expected to continue this shape going forward. Unless there is a new downward surprise in growth momentum, we do not see any RBI rate action, and hence lesser interest in very long duration. Given the liquidity scenario, the front end of curve is expected to remain anchored. Basically with duration gains upfronted already, accruals likely to be driver of returns. We do not anticipate any negative surprise from RBI for foreseeable future.

We expect 10 yr G-sec yields to stay within 6.15 to 6.30 range given that the terminal rate has been determined and has also been arrived at. Any further OMOs by RBI will determine the shape of the yield curve moving forward.

Fund Positioning

Tata Short Term Bond Fund

(The scheme had 1 segregated portfolio which was created under Tata Corporate Bond Fund. Main portfolio Tata Corporate Bond Fund was merged with Tata Short Term Bond Fund w.e.f. 14th December 2019) (An open-ended short-term debt scheme investing in instruments with Macaulay duration between 1 year and 3 years (Refer to page no. 15 of SID). A Relatively High Interest Rate Risk and Moderate Credit Risk.)

We are running around 2.94 macaulay duration in the fund. The portfolio is pre dominantly in the upto 5 year segment of the yield curve. We will be running similar duration to take advantage of accruals of 100 basis points over the operating rates.

Fund Positioning

Tata Gilt Securities Fund

(An open-ended debt scheme investing predominantly in government securities across maturity. A Relatively High Interest Rate Risk and Relatively Low Credit Risk.)

We had reduced duration of the portfolio by reducing exposure to Longer end of curve (20+ years). With current policy level and stance, we would maintain this position and move duration only tactically from here on.

Tata Floating Rate Fund

(An open ended debt scheme investing predominantly in floating rate instruments (including Fixed rate instruments converted to floating rate exposures using swaps/ derivatives) (A Relatively High Interest Rate Risk and Moderate Credit Risk.)

We are maintaining accruals of the portfolio and likely to reduce duration of the fund slightly in line with our view on rates.

Tata Money Market Fund

(An open-ended Debt scheme investing in Money Market Instruments)

The Fund aims to while minimize volatility. The scheme has a maturity cap of 12 months and can invest only in Money Market instruments viz. CP/CD and T-Bills etc. The fund is currently running an average maturity of about 240 days. Give the current stance, short-term yields remain attractively priced and the Fund will continue to maintain and gradually decrease average maturity over next couple of months, while capturing trading opportunities.

Tata Ultra Short Term Fund

(An open ended ultra-short term debt scheme investing in instruments such that the Macaulay duration (Refer page 17 of SID) of the portfolio is between 3 months and 6 months. A Relatively Low Interest Rate Risk and Moderate Credit Risk.)

The fund is running an average maturity of around 150 days. We are maintaining the accrual of the portfolio and looking to gradually increase the duration of the portfolio from here.

Tata Treasury Advantage Fund (Scheme had 1 Segregated Portfolio)

(An open ended low duration debt scheme investing in instruments such that the Macaulay duration of portfolio is between 6 months and 12 months. (Refer page 15 of the SID). A Moderate Interest Rate Risk and Moderate Credit Risk.)

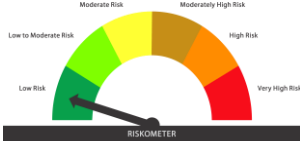
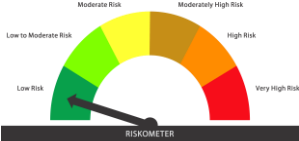





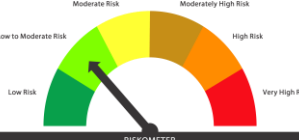
We believe that accrual of the portfolio would be contribute larger to total returns and alpha opportunities could be limited. We intend to remain invested and maintain mid duration of allowed range (0.5-1.00)

Tata Corporate Bond Fund (Scheme had 1 Segregated Portfolio)

(An open ended ultra-short term debt scheme investing in instruments such that the Macaulay duration (Refer page 17 of SID) of the portfolio is between 3 months and 6 months. A Relatively Low Interest Rate Risk and Moderate Credit Risk.)


The fund has around 60% of its portfolio is papers of upto 5 year maturity. We are maintaining the accrual of the portfolio.

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Name of Scheme	This product is suitable for investors who are seeking*:	Scheme Risk-O-Meter	Scheme Benchmark Risk-O-Meter
Tata Overnight Fund (An open ended Debt scheme investing in Overnight Securities. A Relatively Low Interest Rate Risk and Relatively Low Credit Risk.)	<ul style="list-style-type: none"> •To generate reasonable returns in line with overnight rates and high liquidity over short term. •Investment in debt and money market instruments having maturity of upto 1 business day. 	 <p>The risk of the scheme is Low Risk</p>	 <p>The risk of the benchmark is Low Risk</p>
Tata Short Term Bond Fund (The scheme had 1 segregated portfolio which was created under Tata Corporate Bond Fund) (An open ended short term debt scheme investing in instruments with Macaulay duration between 1 year and 3 years (Refer to page no. 15 of SID). A Relatively High Interest Rate Risk and Moderate Credit Risk.)	<ul style="list-style-type: none"> •Regular Fixed Income for Short Term. •Investment in Debt / Money Market instruments / Government Securities. 	 <p>The risk of the scheme is Moderate Risk</p>	 <p>The risk of the benchmark is Low to Moderate Risk</p>
Tata Treasury Advantage Fund (Scheme had 1 Segregated Portfolio) (An open ended low duration debt scheme investing in instruments such that the Macaulay duration of portfolio is between 6 months and 12 months. (Refer page 15 of the SID).A Moderate Interest Rate Risk and Moderate Credit Risk.)	<ul style="list-style-type: none"> • Regular Fixed Income for Short Term. • Investment in Debt & Money Market Instruments. 	 <p>The risk of the scheme is Low to Moderate Risk</p>	 <p>The risk of the benchmark is Low to Moderate Risk</p>
Tata Ultra Short Term Fund (An open ended ultra-short term debt scheme investing in instruments such that the Macaulay duration (Refer page 17 of SID) of the portfolio is between 3 months and 6 months. A Relatively Low Interest Rate Risk and Moderate Credit Risk.)	<ul style="list-style-type: none"> •Regular Income Over Short Term. •Investment in Debt & Money Market instruments such that the Macaulay Duration of the portfolio is between 3 months - 6 months. 	 <p>The risk of the scheme is Moderate Risk</p>	 <p>The risk of the benchmark is Low to Moderate Risk</p>

*Investors should consult their financial advisors if in doubt about whether the product is suitable for them

(It may be noted that risk-o-meter specified above is based on internal assessment. The same shall be updated as per provision no. 17.4.1.i of SEBI Master Circular on Mutual Fund dated 27.06.2024, on Product labelling in mutual fund schemes on ongoing basis)

Name of Scheme	This product is suitable for investors who are seeking*:	Scheme Risk-O-Meter	Scheme Benchmark Risk-O-Meter
TATA Corporate Bond Fund (The scheme had 1 segregated portfolio which was created under Tata Medium Term Fund) (An open-ended debt scheme predominantly investing in AA+ and above rated corporate bonds, with flexibility of any Macaulay Duration and relatively high interest rate risk and moderate credit risk)	<ul style="list-style-type: none"> • Regular income for medium term. • Predominant investment in corporate debt securities. 	 <p><i>The risk of the scheme is Moderate Risk</i></p>	 <p><i>The risk of the benchmark is Low to Moderate Risk</i></p>
Tata Floating Rate Fund (An open ended debt scheme investing predominantly in floating rate instruments (including Fixed rate instruments converted to floating rate exposures using swaps/ derivatives), A Relatively High Interest Rate Risk and Moderate Credit Risk.))	<ul style="list-style-type: none"> • Regular Income by investing predominantly in a portfolio of floating rate instruments (including fixed rate instruments converted for floating rate exposures using swaps / derivatives) 	 <p><i>The risk of the scheme is Moderate Risk</i></p>	 <p><i>The risk of the benchmark is Low to Moderate Risk</i></p>
Tata GILT Securities Fund (An open-ended debt scheme investing predominantly in government securities across maturity. A Relatively High Interest Rate Risk and Relatively Low Credit Risk.)	<ul style="list-style-type: none"> • Long Term Capital Appreciation & Regular Income. • Predominant investments in Government Securities. 	 <p><i>The risk of the scheme is Moderate Risk</i></p>	 <p><i>The risk of the benchmark is Moderate Risk</i></p>
Tata Money Market Fund (An open ended debt scheme investing in money market instruments. A Relatively Low Interest Rate Risk and Moderate Credit Risk.)	<ul style="list-style-type: none"> • Regular Income Over Short Term. • Investment in Money Market Instruments. 	 <p><i>The risk of the scheme is Moderate Risk</i></p>	 <p><i>The risk of the benchmark is Low to Moderate Risk</i></p>

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Potential Risk Class

As per SEBI Circular dated, June 07, 2021; the potential risk class (PRC) matrix based on interest rate risk and credit risk, is mentioned below :

TATA 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.)	Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
	Interest Rate Risk ↓			
	Relatively Low (Class I)			
	Moderate (Class II)			
Tata Corporate Bond Fund (The scheme had 1 segregated portfolio which was created under Tata Medium Term Fund) (An open-ended debt scheme predominantly investing in AA+ and above rated corporate bonds, with flexibility of any Macaulay Duration and relatively high interest rate risk and moderate credit risk)	Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
	Interest Rate Risk ↓			
	Relatively Low (Class I)			
	Moderate (Class II)			
TATA FLOATING RATE FUND (An open ended debt scheme investing predominantly in floating rate instruments (including Fixed rate instruments converted to floating rate exposures using swaps/ derivatives), A Relatively High Interest Rate Risk and Moderate Credit Risk.))	Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
	Interest Rate Risk ↓			
	Relatively Low (Class I)			
	Moderate (Class II)			
TATA GILT SECURITIES FUND (An open-ended debt scheme investing predominantly in government securities across maturity. A Relatively High Interest Rate Risk and Relatively Low Credit Risk.)	Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
	Interest Rate Risk ↓			
	Relatively Low (Class I)			
	Moderate (Class II)			
TATA MONEY MARKET FUND (An open ended debt scheme investing in money market instruments. A Relatively Low Interest Rate Risk and Moderate Credit Risk.)	Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
	Interest Rate Risk ↓			
	Relatively Low (Class I)		B-I	
	Moderate (Class II)			
TATA OVERNIGHT FUND (An open ended Debt scheme investing in Overnight Securities. A Relatively Low Interest Rate Risk and Relatively Low Credit Risk.)	Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
	Interest Rate Risk ↓			
	Relatively Low (Class I)	A-I		
	Moderate (Class II)			
TATA SHORT TERM BOND FUND (The scheme had 1 segregated portfolio which was created under Tata Corporate Bond Fund) (An open ended short term debt scheme investing in instruments with Macaulay duration between 1 year and 3 years (Refer to page no. 15 of SID). A Relatively High Interest Rate Risk and Moderate Credit Risk.)	Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
	Interest Rate Risk ↓			
	Relatively Low (Class I)			
	Moderate (Class II)			
TATA TREASURY ADVANTAGE FUND (Scheme had 1 Segregated Portfolio) (An open ended low duration debt scheme investing in instruments such that the Macaulay duration of portfolio is between 6 months and 12 months. (Refer page 15 of the SID).A Moderate Interest Rate Risk and Moderate Credit Risk.)	Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
	Interest Rate Risk ↓			
	Relatively Low (Class I)			
	Moderate (Class II)		B-II	
TATA ULTRA SHORT TERM FUND (An open ended ultra-short term debt scheme investing in instruments such that the Macaulay duration (Refer page 17 of SID) of the portfolio is between 3 months and 6 months. A Relatively Low Interest Rate Risk and Moderate Credit Risk.)	Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
	Interest Rate Risk ↓			
	Relatively Low (Class I)		B-I	
	Moderate (Class II)			

(It may be noted that risk-o-meter specified above is based on internal assessment. The same shall be updated as per provision no. 17.4.1.i of SEBI Master Circular on Mutual Fund dated 27.06.2024, on Product labelling in mutual fund schemes on ongoing basis)