RBI MPC Announcements and Fixed Income House View

6th Aug 2025

Key Decisions

- At its meeting held today, the RBI Monetary Policy Committee (MPC) voted unanimously to keep key rates unchanged. The Repo Rate at 5.50%, SDF rate at 5.25% and MSF rate at 5.75% remain unchanged.
- The MPC also decided to keep the policy stance unchanged at neutral. The stance was retained at neutral unanimously, after it was changed from accommodative to neutral only in the previous meeting
- In the current rate cut cycle, the MPC has undertaken 100bps of rate cuts and it had signaled data dependency after a frontloaded move in June

Rates	MPC Policy (6th Aug)	MPC Policy (6th June)
Repo Rate – Rate at which Banks borrow from RBI	5.50%	5.50%
MSF Rate (Marginal Standing Facility)	5.75%	5.75%
Standing Deposit Facility - New Operating Rate	5.25%	5.25%
Bank Rate	5.75%	5.75%
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	FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27
6-Aug	3.10%	2.10%	3.10%	4.40%	4.90%
6-Jun	3.70%	3.40%	3.90%	4.40%	--

Real GDP Forecast

MPC	FY26	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27
6-Aug	6.50%	6.50%	6.70%	6.60%	6.30%	6.60%
6-Jun	6.50%	6.50%	6.70%	6.60%	6.30%	--

Source: RBI, Press Release

GDP Growth Estimates

- Globally, policy makers are faced with muted growth and slowing pace of disinflation, with some advanced economies even witnessing an uptick in inflation
- Domestic growth is holding up and is broadly evolving along RBI's expected lines; rural consumption is faring better than urban discretionary consumption and government capex continues to support economic activity; monsoon progress is supporting Kharif sowing
- Industrial growth, however, is showing a mixed trend while services sector is expected to remain resilient
- RBI maintained its GDP growth in a range, as positive developments on domestic rural economy were offset by growing external uncertainty. For RBI, the emphasis on mixed growth signals meant that the GDP projections have been left unchanged, at 6.5% for FY26, and RBI has forecasted Q1FY27 growth at 6.6%
- External demand trends remain uncertain amidst ongoing tariff announcements and trade negotiations. Geopolitical tensions, global uncertainties, and volatility in global financial markets pose risks to the growth outlook. Taking all these factors into account, real GDP growth for 2025-26 is projected at 6.5 per cent, with Q1 at 6.5 per cent, Q2 at 6.7 per cent, Q3 at 6.6 per cent, and Q4 at 6.3 per cent. Real GDP growth for Q1:2026-27 is projected at 6.6 per cent.
- Driven by sharp decline in food inflation, CPI headline inflation declined for the eighth consecutive month to a 6 year low of 2.1 per cent in June. Food inflation recorded its first negative print since February 2019. Double-digit deflation in vegetables and pulses drove this contraction
- Core inflation, which remained within a narrow range of 4.1-4.2 per cent during February-May, increased to 4.4 per cent in June, partly driven by a continued increase in gold prices; we believe that RBI will look through this in its assesment
- CPI inflation, however, is likely to go above 4 per cent in Q4:2025-26 and beyond, as unfavorable base effects, and demand side factors from policy actions come into play. Weather-related shocks pose risks to inflation outlook. CPI inflation for 2025-26 is projected at 3.1 per cent with Q2 at 2.1 per cent; Q3 at 3.1 per cent; and Q4 at 4.4 per cent. CPI inflation for Q1:2026-27 is projected at 4.9 per cent

Chart 1: Quarterly Projection of Real GDP Growth (y-o-y)

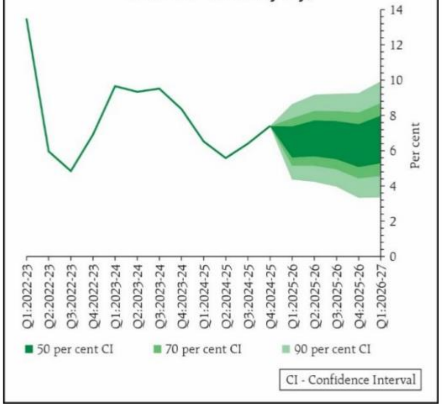
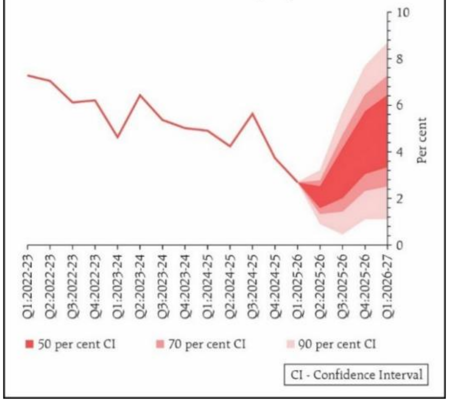


Chart 2: Quarterly Projection of CPI Inflation (y-o-y)



Source: RBI

On Liquidity

- System liquidity, as measured by the net position under LAF, has been in surplus, on an average of ₹3.0 lakh crore per day since the last MPC, as compared to an average daily surplus of ₹1.6 lakh crore during the previous two months
- Going ahead, as the CRR cut announced in the last policy comes into effect in a staggered manner beginning September, it would further support liquidity condition

Fixed Income Outlook post Monetary Policy

The RBI MPC policy decisions taken today were on expected lines. A rate cut at this juncture would have been premature given global uncertainty and tariff related concerns and especially after the front loaded rate cut in only the previous policy.

Today's pause from the RBI feels like a placeholder for more information on growth and inflation to come forth, as the central bank waits to see the impact of its frontloaded easing on demand, and waits for clarity on how external forces shape India's macroeconomic outcomes. In terms of economic indicators, growth data (GDP and high frequency indicators) will shape RBI's thought process, and inflation is currently a secondary variable in policy deliberations.

While RBI has retained its GDP projections, there are indicators of growth slowdown in both corporate spending and household consumption. This should keep RBI in a data watch mode, as inflation remains low for next 1-2 quarters, and a weaker growth backdrop can increase RBI's willingness to deploy the limited policy space in the form of rate cuts. Looking ahead, the festive cycle which kicks off from end August to end October, will be critical for growth assessment, and will have a significant impact on policy outlook going ahead. The actions of the US Federal reserve and its timing will also have a bearing on RBI’s thought process.

There is enough evidence on growth slowdown; industrial activity has slowed notably versus a year ago; corporates are facing subdued revenue and profit growth, which in turn is inhibiting them from capex. Households are witnessing weaker income growth and slower loans, hurting their spending power. Meanwhile, corporate and household slowdown, in turn, is weighing on government tax collections (growth below 10% now), which in turn could keep government spending in a slow lane. We maintain that given the growth dynamics, the door for cutting rates and further easing of monetary conditions to push growth isn’t completely shut.

The market reaction post policy was negative; yield curve steepened and is expected to continue this shape. We expect 10 yr G-sec yields to stay within 6.25 to 6.45 range in the near term with an eye on growth data points. Given the liquidity scenario, the front end of curve is expected to remain anchored. Corporate bonds look attractive over G-sec at this juncture with expectations of lower corporate bond supply in a soft economic growth backdrop and lower growth reported by many NBFCs; accruals will likely drive fund returns.

TATA mutual fund

Fund Positioning

Tata Money Market Fund

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

The Fund aims to deliver return with an aim to minimizing 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 185 days. Give the current stance, short-term yields remain attractively priced, and the Fund will continue to gradually decrease average maturity over next couple of months, while capturing potential 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 5-5.5 months. We believe that accrual will drive returns in the medium term as growth scenario unfolds. We are maintaining the accrual of the portfolio.

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 been reducing G-sec exposure and has bought corporate bonds in the 1-3Y segment. We expect this segment to remain relatively stable with lower anticipated supply by NBFCs and corporates in a tepid growth environment. We are maintaining the accrual of the portfolio.

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 accrual / carry of the portfolio may act as significant driver for returns with tactical capital gain opportunities possible in case of growth slowdown raising chances of easing. We intend to remain invested and maintain duration close to upper end of allowed range (0.5-1.00) as yield curve is steep and with liquidity expected to be in surplus, higher accruals could be beneficial.

Fund Positioning

Tata Short Term Bond Fund

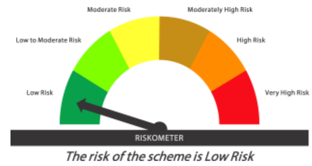
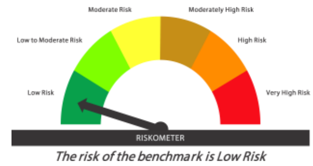
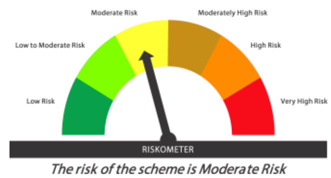
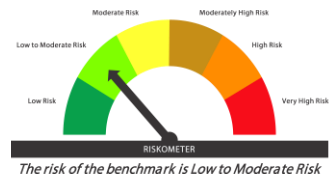
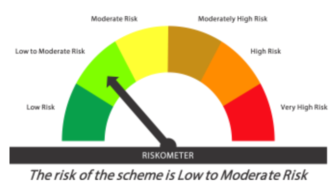
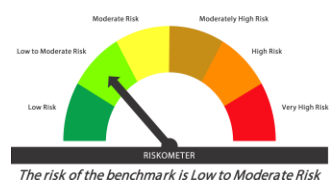
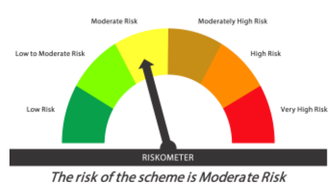
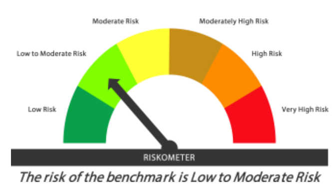
(The scheme had 1 segregated portfolio which was created under Tata Corporate Bond Fund. Main portfolio Tata Corporate Bond Fund was merged with Tata Short Term Bond Fund w.e.f. 14th December 2019) (An open-ended short-term debt scheme investing in instruments with Macaulay duration between 1 year and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

The Fund will continue to remain positioned in high quality paper only within 1-3 yr duration bucket. Currently Fund is running around 2.81 macaulay duration. The Fund is pre-dominantly positioned in 2-3 year PSU/Corporate Bond. We will be running portfolio duration in 2-3 yr band to take advantage of accruals of 100 basis points over the operating rates.

Tata Gilt Securities Fund

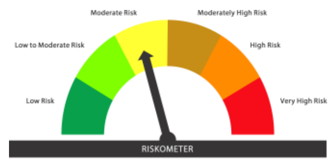
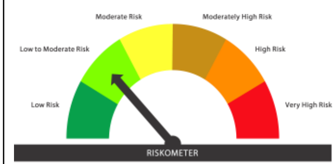
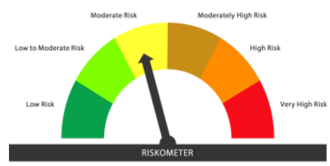
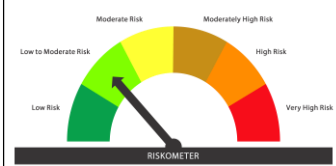
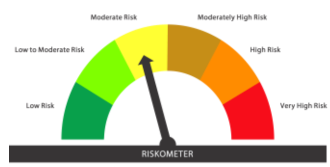
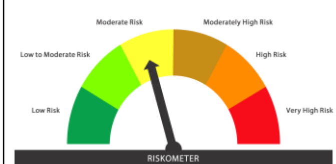
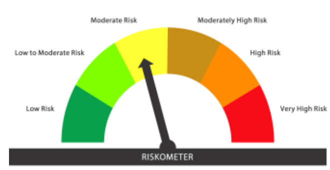
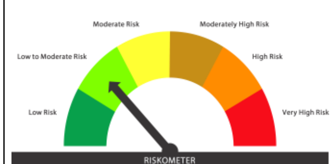
(An open-ended debt scheme investing predominantly in government securities across maturity. A Relatively High Interest Rate Risk and Relatively Low Credit Risk.)

We have increased duration of fund with increasing allocation at longer end of yield curve as yield curve steepened significantly. With no immediate rate cut in offing, we could see yield curve flattening going ahead. Hence we have increased allocation to longer end of yield curve. We believe as slowdown in growth comes to fore, we could see further easing in policy rates.

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.)	•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.		
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.)	•Regular Fixed Income for Short Term. •Investment in Debt / Money Market instruments / Government Securities.		
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.)	• Regular Fixed Income for Short Term. • Investment in Debt & Money Market Instruments.		
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.)	•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.		

*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)	• Regular income for medium term. •Predominant investment in corporate debt securities.	 *The risk of the scheme is Moderate Risk*	 *The risk of the benchmark is Low to Moderate Risk*
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.))	•Regular Income by investing predominantly in a portfolio of floating rate instruments (including fixed rate instruments converted for floating rate exposures using swaps / derivatives)	 *The risk of the scheme is Moderate Risk*	 *The risk of the benchmark is Low to Moderate Risk*
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.)	• Long Term Capital Appreciation & Regular Income. • Predominant investments in Government Securities.	 *The risk of the scheme is Moderate Risk*	 *The risk of the benchmark is Moderate Risk*
Tata Money Market Fund (An open ended debt scheme investing in money market instruments. A Relatively Low Interest Rate Risk and Moderate Credit Risk.)	•Regular Income Over Short Term. •Investment in Money Market Instruments.	 *The risk of the scheme is Moderate Risk*	 *The risk of the benchmark is Low to Moderate Risk*

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

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)			
Relatively High (Class III)		B-III	

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)			
Relatively High (Class III)		B-III	

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)			
Relatively High (Class III)		B-III	

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)			
Relatively High (Class III)	A-III		

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)			
Relatively High (Class III)			

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)			
Relatively High (Class III)			

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)			
Relatively High (Class III)		B-III	

TATA TREASURY ADVANTAGE FUND
(Scheme had 1 Segregrated 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	
Relatively High (Class III)			

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)			
Relatively High (Class III)			

(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)