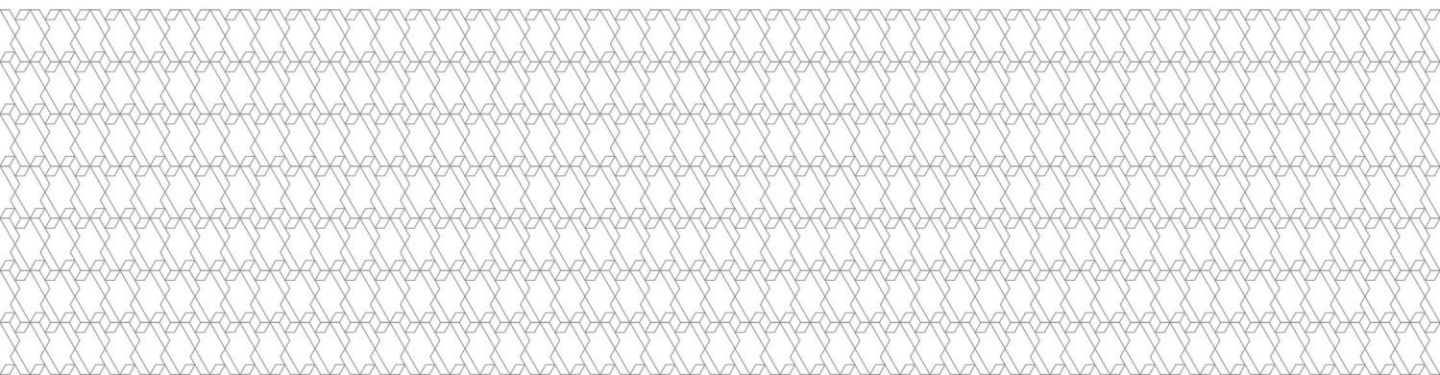


Burgundy

Wealth Management | Axis Bank

RBI MONETARY POLICY

APRIL 2026



HIGHLIGHTS

MPC holds rates; flags elevated uncertainty, cuts growth outlook and raises inflation projections.

- **MPC's first bi-monthly Monetary Policy Review: 2026-27**
The MPC unanimously kept policy rates unchanged, highlighting elevated uncertainty and reiterating that the neutral stance preserves policy flexibility. Growth projections were revised lower and inflation forecasts raised, with risks remaining two-sided. Policy communication remained vigilant, emphasizing close monitoring of evolving domestic and global developments.
- **Policy Actions**
Repo rate unchanged at 5.25%.
Consequently, SDF is at 5.00% and MSF is at 5.50%.

GROWTH-INFLATION DYNAMICS

- RBI raised its FY27 CPI inflation projection to 4.6%, with the same average maintained for FY28. However, the outlook remains exposed to upside risks. A 10% rise in oil prices above USD 85/bbl could add ~50 bps to inflation, a 5% INR depreciation beyond 94 could contribute ~40 bps, while El-Niño conditions or lower fertiliser availability could add another ~20 bps. Axis Bank economists project higher inflation, broadly aligning with the midpoint of RBI's fan chart, suggesting risks remain skewed to the upside.

- India's FY27 GDP growth projection was revised down to 6.9%, with FY28 at 6.6%. The outlook remains vulnerable to further downside risks—higher oil prices could shave ~15 bps, slower global growth ~30 bps, while a weaker INR could add ~25 bps drag. Axis Bank economists expect a sharper slowdown in H1 FY27, though growth is projected to recover to ~7.2% in FY28, contingent on easing global headwinds.

LIQUIDITY AND EXTERNAL SECTOR

- Liquidity continued to be seen as comfortable, with assurances around adequate provision. However, a study in the monetary policy report indicated that the optimal level of liquidity might be lower than the current 1% of NDTL norm.
- Policy language on the INR remained reassuring, with recent FX curbs viewed as temporary and expectations of a recovery in foreign inflows providing comfort.

POLICY STANCE AND GUIDANCE

- **The MPC retained a neutral stance, explicitly linking it to flexibility to respond to evolving developments. Policy tone remained vigilant, with communication subtly indicating that rate hikes cannot be ruled out if risks materialise.**

KEY MEASURES ANNOUNCED BY THE RBI

Measures announced in chronological order in last 1 year.

Date	Measures Announced
December 6, 2024	<ul style="list-style-type: none"> Expanding the reach of FX-Retail Platform through Linkages with Bharat Connect platform of NPCI. Proposes to introduce a new benchmark - the Secured Overnight Rupee Rate (SORR) - based on all secured money market transactions – overnight market repo as well as TREPS. To increase the limit for collateral-free agriculture loans from ₹1.6 lakh to ₹2 lakh per borrower. to permit Small Finance Banks also to extend pre-sanctioned credit lines through the UPI. Experts committee to set up a Framework for Responsible and Ethical Enablement of AI (FREE-AI) in the financial sector.
February 7, 2025	<ul style="list-style-type: none"> Introduction of Additional Factor of Authentication (AFA) for domestic digital payments and proposed to extend AFA to online international digital payments made to offshore merchants. Proposed to include forward contracts in Government securities to facilitate long-term investors such as insurance funds to manage their interest rate risk across interest rate cycles. Expand the access of NDS-OM for secondary market transactions in government securities, to non-bank brokers registered with SEBI. Set-up working group to review of trading and settlement timings across various market segments, report to be submitted by 30th April of this year.
April 9, 2025	<ul style="list-style-type: none"> Proposed to enable securitisation of stressed assets through market-based mechanism, in addition to the existing ARC route under the SARFAESI Act, 2002. Co-lending arrangements are restricted to only priority sector loans by banks and NBFCs to be extended to all regulated entities for all loans. RBI will introduce standardised guidelines for loans backed by gold jewellery and ornaments across all Res. New norms will consolidate rules for non-fund based facilities like guarantees, letters of credit, and co-acceptances. UPI Transaction limits to be made flexible by the NCPI in consultation with stakeholders. RBI plans to shift the Regulatory Sandbox to an open-ended, theme-neutral format.
August 6, 2025	<ul style="list-style-type: none"> Standardisation of procedure for settlement of claims in respect of deposit accounts of deceased customers of banks. Introduction of Auto-bidding facilities in RBI Retail Direct for Investment and Re-investment in T-bills.

KEY MEASURES ANNOUNCED BY THE RBI

Measures announced in chronological order in last 1 year.

Date	Measures Announced
October 1, 2025	<ul style="list-style-type: none"> Implementing the Expected Credit Loss framework and revised Basel III norms from April 2027 with glide path till 2031. Enabling banks to finance corporate acquisitions and expand lending against shares/IPO financing Easing infrastructure financing norms for NBFCs; considering new licences for urban co-operative banks; rationalising FEMA and ECB rules Enhancing the consumer protection framework through an expanded Ombudsman scheme and digital banking access for basic accounts RBI outlined steps to advance internationalisation of the rupee. RBI proposes to publish a discussion paper on licensing of Urban Co-operative Banks (UCBs). RBI proposes reforms in insurance premiums and lending limits
December 5, 2025	<ul style="list-style-type: none"> The RBI will conduct a two-month campaign from January next year to address grievances pending for more than a month with the RBI Ombudsman.
February 6, 2026	<ul style="list-style-type: none"> RBI to issue three draft guidelines on mis-selling, loan recovery and recovery agents, and limiting customer liability in unauthorised electronic banking transactions. Proposal to introduce a compensation framework up to ₹25,000 for customers affected by small-value fraudulent transactions. Collateral-free loan limit for MSMEs proposed to be enhanced from ₹10 lakh to ₹20 lakh. To support real estate financing, proposal to allow banks to lend to REITs with prudential safeguards. Proposals for UCBs include higher financial limits on unsecured loans and loans to nominal members, and removal of tenor and moratorium requirements for housing loans by Tier III and Tier IV UCBs. NBFCs with no public funds and no customer interface, and with asset size ≤ ₹1000 crore, proposed to be exempted from registration. Proposal to remove the ₹2.5 lakh crore cap on investments via the Voluntary Retention Route (VRR); investments will instead follow category-wise ceilings under the General Route. RBI proposes to issue regulatory frameworks for derivatives on corporate bond indices and total return swaps on corporate bonds. Draft revised guidelines to be issued for Authorised Dealer banks and stand-alone primary dealers, providing greater flexibility in foreign exchange transactions.
April 8, 2026	<ul style="list-style-type: none"> Proposed to remove the condition regarding NPA provisioning for inclusion of quarterly profits in CRAR computation. Enhancing the borrowing limit of SPDs in the term money market to non-bank entities

IMPACT ON THE MUTUAL FUND INDUSTRY:

○ **Liquid Funds:**

These schemes will continue to generate returns around the operating rate due to their portfolio composition i.e. being invested at the shorter end of the money market segment. Liquid funds have low average maturity as they concentrate more on high quality papers including CPs, CDs and other debt securities with residual maturity of up to 3 months.

○ **Ultra Short Term / Low Duration / Money Market Funds (Maturity Up to 1 Year):**

These schemes predominantly invest in below 1 year maturity paper. The strategy adopted by these schemes is to hold the paper till maturity and capitalize on the running yield. Hence, returns in this category will continue to remain relatively attractive depending on the positioning of the fund.

○ **Short Duration Funds:**

Schemes in this category are predominantly invested in Corporate Bonds, CPs and CDs while a few of them also have some exposure to G-Secs. We continue to remain bullish at the shorter end of the curve. Investors may consider these funds (with an investment horizon commensurate with the maturity profile of such funds) and gain from current accruals and capital appreciation in the event of a fall in yields.

○ **Medium Duration:**

Given the flattened yield curve there are sufficient buffers in the intermediate duration (3-6 years) segment. Till the time RBI is anchoring the long end of the yield curve, the current yield curve may provide some cushion even if there are mark-to-market losses. Investors may consider those funds with high quality portfolios and where the investment horizon is commensurate with the maturity profile of the funds and also gain from current accruals and capital appreciation in the event of a fall in yields.

IMPACT ON THE MUTUAL FUND INDUSTRY:

○ **Credit Risk Funds:**

We remain cautious on Credit Risk Funds as they have failed to prove their mettle in the last 2-3 years with the overhang of defaults and erosions of NAV on the back of mark-to-market impacts due to the aforementioned. The uncertainty around credit funds which are in an open ended avatar continues to pose risks to investors. Much also depends on the liquidity conditions in the market and redemption pressure on these funds. Thus, we think there is a systemic risk in the market within the credit space. Hence, it makes sense for one to stay away from these funds.

○ **Long Term Income Funds / Gilt Funds / Dynamic Bond Funds:**

India's debt market enters FY27 amid heightened global uncertainty, led by the escalation in the West Asia conflict and a sharp surge in energy prices. Elevated oil and gas prices have disrupted the earlier "Goldilocks" phase, reviving concerns around inflation, fiscal slippage, currency pressure and liquidity tightening. As a result, bond yields have reset higher across tenors, with markets becoming increasingly headline-driven.

In March, the yield curve repriced sharply. Short- to mid-tenor yields hardened on inflation and liquidity concerns, while long-end yields reflected anxiety around fiscal durability. The 10-year benchmark remained relatively anchored, though overall yields touched multi-year highs. The RBI maintained policy rates but remain cautious, balancing growth concerns against resurging inflation risks and currency management.

Inflation assumptions have turned less benign. With partial pass-through of higher oil prices, FY27 CPI inflation is now expected closer to ~5%, with upside risks if the conflict persists. Growth outlook has moderated, with FY27 GDP growth likely around ~7.0%, carrying a downside bias. Persistently high crude prices could widen the current account deficit, strain fiscal metrics and keep yields elevated.

IMPACT ON THE MUTUAL FUND INDUSTRY:

Markets are expected to remain volatile, with intermittent sharp yield spikes. While seasonal liquidity factors typically support April, global event risks are likely to dominate. G-sec yields are expected to remain under pressure, with FY27 average yields estimated in the 6.6%–7.1% range, subject to crude price trajectories and conflict resolution. A prolonged high-oil scenario could push this range higher.

From an investment perspective, caution remains key. Lower-duration and high-quality credit strategies are preferred to navigate volatility, with the 1–5-year segment offering the most attractive risk-reward. Accrual-led positioning remains prudent, supplemented by selective long-end duration exposure based on risk appetite, inflation trajectory, fiscal signals and global developments. While near-term risks remain elevated, the medium-to-long-term outlook for Indian debt is constructive, supported by improving inflation dynamics, fiscal discipline and global bond index inclusion, once external shocks ease.

The 10-year Indian benchmark bond yield fell ~12 bps from the previous close to 7.04% (at the time of writing the note) while from previous policy it is up by ~21 bps.

- **Conservative Hybrid Funds (*Erstwhile: Monthly Income Plans (MIPs)*):**
With a 10% to 25% allocation to equity, returns of CHFs are largely determined by the vagaries of the equity markets as against the debt markets. These funds are therefore suitable for investors who have a reasonably long-time horizon & are comfortable with taking exposure to equities.

OUTLOOK

- The global shock is multi-dimensional, pushing up both the neutral rate and the term premium. These developments are also accelerating India's neutral-rate convergence with global levels. As a result, G-sec yields are unlikely to trend meaningfully lower. While episodic moves toward ~6.50% may be possible over the year, they are unlikely to sustain, with fair value yields now seen in the 6.75%–7.00% range.
- We remain constructive on the short to medium end of the yield curve. **Short Duration funds, Banking & PSU Debt funds, Corporate Bond funds, Medium Duration funds, Money Market funds, Low Duration funds and Ultra Short Duration funds** can be considered by investors with an investment horizon commensurate with the maturity profile of the schemes. Investors can consider investing in **Medium Duration** as per their risk appetite with an investment horizon of at least 2-3 years to avoid any intermittent volatility.

DISCLAIMER

The report and information contained herein is of confidential nature and meant only for the selected recipient and should not be altered in any way, transmitted to, copied or distributed, in any manner and form, to any other person or to the media or reproduced in any form, without prior written approval of Axis Bank. The material in this document/report is based on facts, figures and information that are obtained from publicly available media or other sources believed to be reliable and hence considered true, correct, reliable and accurate but Axis Bank does not guarantee or represent (expressly or impliedly) that the same are true, correct, reliable and accurate, not misleading or as to its genuineness, fitness for the purpose intended and it should not be relied upon as such. The opinion expressed (including estimates, facts, figures and forecasts) is given as of the date of this document is subject to change without providing any prior notice of intimation. Axis Bank shall have the rights to make any kind of changes and alterations to this report/ information as may be required from time to time. However, Axis Bank is under no compulsion to maintain or keep the data/information updated. This report/document does not mean an offer or solicitation for dealing (purchase or sale) of any financial instrument or as an official confirmation of any transaction. Axis Bank or any of its affiliates/ group companies shall not be answerable or responsible in any way for any kind of loss or damage that may arise to any person due to any kind of error in the information contained in this document or otherwise. This document is provided for assistance only and should not be construed as the sole document to be relied upon for taking any kind of investment decision. The recipient is himself/herself fully responsible for the risks of any use made of this information. Each recipient of this document should make his/her own research, analysis and investigation as he/she deems fit and reliable to come at an independent evaluation of an investment in the securities of companies mentioned in this document (including the merits, demerits and risks involved), and should further take opinion of own consultants, advisors to determine the advantages and risks of such investment. The investment discussed or views expressed herein may not suit the requirements for all investors. and its or their securities. Axis Bank and its group companies, affiliates, directors, and employees may: (a) from time to time, have long or short positions in, and deal (buy and/or sell the securities) thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn commission/brokerage or other compensation or act as advisor or lender/borrower to such company (ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions. The applicable Statutory Rules and Regulations may not allow the distribution of this document in certain jurisdictions, and persons who are in possession of this document, should inform themselves about and follow, any such restrictions. to obtain any registration or licensing requirements within such jurisdiction.

DISCLAIMER

This report is not meant, directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would not be in conformation to the law, regulation or which would require Axis Bank and affiliates/ group companies. Neither Axis Bank nor any of its affiliates, group companies, directors, employees, agents or representatives shall be held responsible, liable for any kind of consequential damages whether direct, indirect, special or consequential including but not limited to lost revenue, lost profits, notional losses that may arise from or in connection with the use of the information. Prospective investors and others are cautioned and should be alert that any forward-looking statements are not predictions and may be subject to change without providing any notice. Past performance should not be considered as a reference to future performance. The disclosures of interest statements if any included in this document are provided only to enhance the transparency and should not be construed as confirmation of the views expressed in the report. The views expressed in this report reflect the personal views of the author of the report and do not reflect the views of Axis Bank or any of its associate and group companies about the subject company or companies. Purchase of Mutual Funds by Axis Bank's customer is purely voluntary and not linked to avilment of any other facility from the Bank.

Mutual Fund investments are subject to market risk, read all scheme related documents carefully. Axis Bank Ltd is acting as an AMFI registered MF Distributor (ARN code: ARN-0019). Purchase of Mutual Funds by Axis Bank's customer is purely voluntary and not linked to avilment of any other facility from the Bank. *T&C apply

DISCLAIMER FOR DIFC BRANCH:

For Distribution to Professional Clients Only (as defined by Rule 2.3.2 of the Conduct of Business Module of the DFSA Rulebook). Axis Bank, DIFC branch is duly licensed and regulated in the Dubai International Financial Centre by the Dubai Financial Services Authority. The information contained herein is intended for use only by Professional Clients (as defined by Rule 2.3.2 set out in the Conduct of Business Module of the DFSA Rulebook) who satisfy the regulatory criteria set out in the rules of the Dubai Financial Services Authority and should not be relied upon or distributed to any other person(s) other than the intended recipient.

DISCLAIMER FOR SINGAPORE CLIENTS:

This document is published by Axis Bank Limited ("Axis Bank") and is distributed in Singapore by the Singapore branch of Axis Bank. This document does not provide individually tailored investment advice. The contents in this document have been prepared and are intended for general circulation. The contents in this document do not take into account the specific investment objectives, financial situation, or particular needs of any particular person. The securities and/or instruments discussed in this document may not be suitable for all investors. Axis Bank recommends that you

DISCLAIMER

independently evaluate particular investments and strategies and encourages you to seek advice from a financial adviser regarding the suitability of such securities and/or instruments, taking into account your specific investment objectives, financial situation and particular needs, before making a commitment to purchase any securities and/or instruments.

This is because the appropriateness of a particular security, instrument, investment or strategy will depend on your individual circumstances and investment objectives, financial situation and particular needs.

The securities, investments, instruments or strategies discussed in this document may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them. This document is not an offer to buy or sell or the solicitation of an offer to buy or sell any security and/or instrument or to participate in any particular trading strategy. Axis Bank, its associates, officers and/or employees may have interests in any products referred to in this document by acting in various roles including as distributor, holder of principal positions, adviser or lender. Axis Bank, its associates, officers and/or employees may receive fees, brokerage or commissions for acting in those capacities. In addition, Axis Bank, its associates, officers and/or employees may buy or sell products as principal or agent and may effect transactions which are not consistent with the information set out in this document. Axis Bank and its affiliates do business that relates to companies and/or instruments covered in this document, including market making and specialized trading, risk arbitrage and other proprietary trading, fund management, commercial banking, extension of credit, investment services and investment banking. Axis Bank sells to and buys from customers the securities and/or instruments of companies covered in this document as principal or agent.

Axis Bank Ltd. is acting as an AMFI registered Mutual Fund Distributor under the ARN code of ARN-0019.

DISCLAIMER