

RBI's Monetary Policy Review

February 06, 2026

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On Feb 06, 2026, RBI's Monetary Policy Committee (MPC) took following policy decisions:

Key Policy Parameter	Status before today's meeting	Decision at today's MPC meeting
Repo Rate	5.25%	5.25%, unchanged
Standing Deposit Facility (SDF)	5.00%	5.00%, unchanged
Bank Rate / Marginal Standing Facility (MSF) Rate	5.50%	5.50%, unchanged
Monetary Policy Stance	Neutral	Neutral, unchanged

The RBI's MPC voted unanimously to keep the repo rate unchanged at 5.25%. The MPC also decided to continue with the neutral monetary policy stance.

Executive summary of RBI's press releases/ press conference:

Global Economy:

- World economy is expected to grow slightly faster in 2026, helped by strong tech investments, easy financial conditions, and government spending.
- Rising political conflicts and trade disputes are disrupting global economic stability.
- Price pressures vary across countries; inflation is still above target in most advanced economies.
- Central banks are at different stages of reducing interest rates as they near the end of their easing cycle.



Domestic Growth:

- India's economy is improving steadily, with real GDP growth estimated at 7.4% in FY26, higher than the previous year.
- Economic activity in FY27 is expected to remain strong supported by healthy agriculture sector, improving corporate performance, and resilient construction and services sector.
- Recent India-EU Free Trade Agreement (FTA) and potential India-US trade deal is expected to aid exports.
- GDP growth forecast for Q1 FY27 and Q2 FY27 raised by 20 bps to 6.9% and 7.0%, respectively.
- Full-year FY27 forecast deferred to April 2026 pending release of the new GDP series.



Source: RBI

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Domestic Inflation:

- Headline CPI inflation stayed low in Nov-Dec 2025, though it rose slightly (by ~1%) due to a smaller decline in food prices.
- Food supply conditions are positive with good kharif output, healthy rabi sowing, strong foodgrain stocks, and adequate reservoir levels.
- Core inflation expected to stay stable, except for possible swings from precious metal prices.
- CPI inflation for FY26 is projected at 2.1%, with Q4 at 3.2%. For Q1 and Q2 of FY27, projections are 4.0% and 4.2%, respectively.
- A new CPI series (base 2024=100) will be released on Feb 12, 2026. The full-year FY27 inflation projection will be shared in April 2026 after the new series is available.



Liquidity Conditions:

- Banking system liquidity stayed in surplus of Rs 70,000 cr (daily average) since the December 2025 MPC meeting.
- Money market yields rose in Jan 2026 due to lower liquidity, bunching of redemptions, and typical year-end effects.
- The RBI will stay proactive in managing liquidity to ensure adequate funds for economic activity and smooth monetary transmission.



Fixed Income Outlook:

- We believe the rate-cutting cycle has bottomed out and therefore do not expect any further rate cuts in FY27.
- Liquidity conditions have improved significantly, which leads us to believe that no additional liquidity-support measures are likely from the RBI in Q4 FY26. However, there is still scope for longer-term (durable) liquidity injections in FY27.
- With the RBI at the end of the rate-cutting cycle and heavy bond supply in the market, we expect continued pressure on bond yields in the near term.



Source: RBI

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

For grievance redressal contact Customer Care Team Email: customercare@hdfcsec.com Phone: (022) 3901 9400

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