

10Y G-SEC YIELD

7.19%

Up from 6.94% (end-August)

CPI INFLATION

5.5%

September 2026

REPO RATE

5.50%

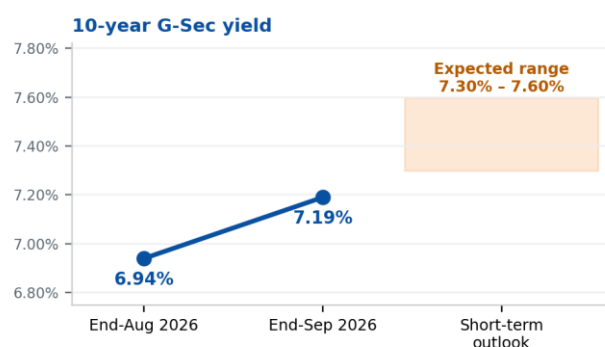
Hiked 25 bps (7 Oct 2026)

USD/INR RANGE

94–97

Recent trading range

MARKET REVIEW



Fixed income markets were **negative in September 2026**.

The yield on the **10-year G-Sec** hardened from **6.94%** at the end of August 2026 to **around 7.19%** by the end of September 2026.

The main reasons were:

- Higher crude oil prices due to the continuing conflict between Iran and the US.
- Higher CPI inflation prints.
- Expectations of rate hikes by RBI.
- Hardening bond yields globally.

INFLATION

CPI inflation for September 2026 came in at **5.5%**, in line with expectations.

- This was driven by higher **food inflation (around 7.7%)** as well as higher **core inflation (around 4.3%)**.
- **Brent crude** prices have risen to **above USD 100 per barrel** as hostilities in the West Asia conflict have continued.
- Overall inflation is likely to rise due to higher crude oil prices and higher food prices on account of adverse weather conditions.

VOLATILITY IN INR

The rupee has been quite volatile in the past few weeks, trading in a **range of 94 to 97 per USD**.

- On one hand, **continued FII outflows** from both equity and debt markets are weakening the rupee.
- On the other hand, **RBI has taken steps to support the rupee**, such as prescribing reserve maintenance in the form of a Foreign Exchange Risk Reserve (FERR) for forex derivative contracts involving INR, and opening a special window for the USD requirements of Oil Marketing Companies (OMCs).
- **However, the volatility in INR has weighed on sentiment in fixed income markets.**

RBI Monetary Policy (7 Oct 2026)

- RBI **raised the repo rate by 25 bps, from 5.25% to 5.50%**, and changed its stance from “Neutral” to “**Calibrated Tightening**”.
- RBI noted that while global developments remain challenging, the Indian economy has remained strong and resilient.
- The inflation outlook is on the higher side due to higher food and oil prices, so the MPC felt it was necessary to hike the repo rate.
- The RBI Governor stated that **rate cuts are off the table**; future actions will be either a hike or a pause.

US Fed Meeting (16 Sep 2026)

- The US Fed **raised the Fed Funds rate by 25 bps**, in line with market expectations.
- The policy statement noted that economic activity was expanding at a solid pace and inflation remained elevated.
- The committee voted unanimously for the 25 bps increase.
- The market is expecting **another 25 bps hike during CY2026**.

Fixed Income Market Outlook

- The outlook continues to be **somewhat bearish**, as central banks globally are in a rate-hike cycle and RBI is expected to **raise the repo rate further** to fight higher inflation.
- Higher crude oil prices and weather-related disruptions are likely to affect inflation adversely in the short term.
- However, we believe **a lot of the negatives have been priced in** at current yields.

Expected short-term range for the 10-year G-Sec yield **7.30% – 7.60%**

Disclaimer

- All investments in pension funds and securities are subject to market risks.
 - UTI PENSION FUND LIMITED (formerly known as UTI Retirement Solutions Limited)
Registered Address: First Floor, Unit No. 2, Block 'B', JVPD Scheme, Gulmohar Cross Road No. 9, Andheri (West), Mumbai – 400049. Tel No: +91 22 68990800. Email id: contact@utipf.co.in Website: www.utipension.com
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- POP Registration No: 336042022