

# Fixed Income Navigator

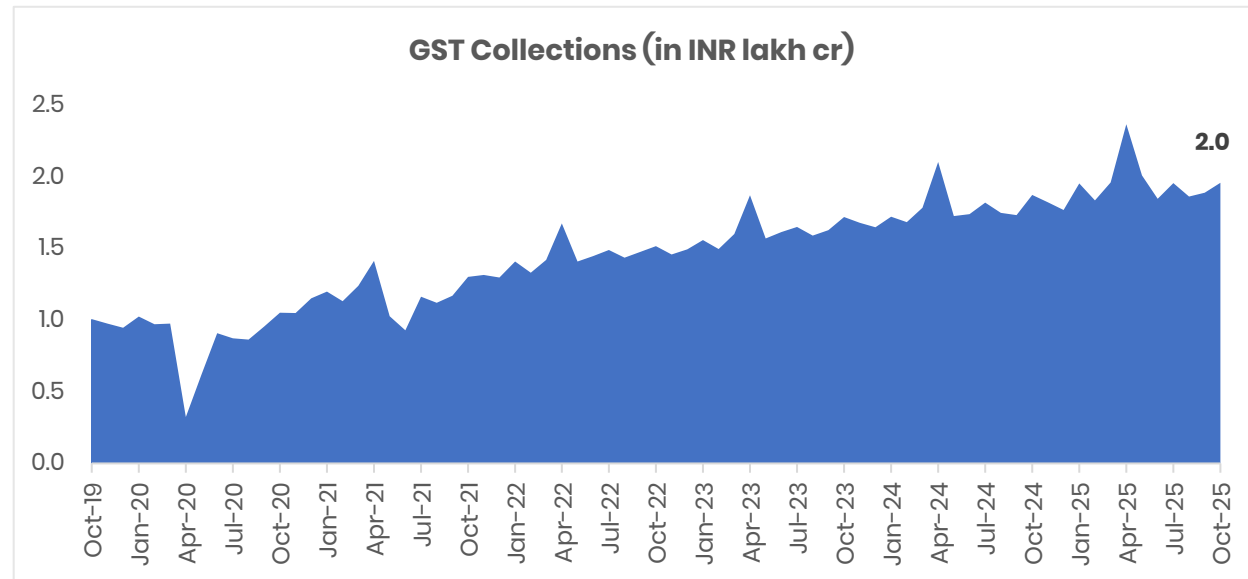
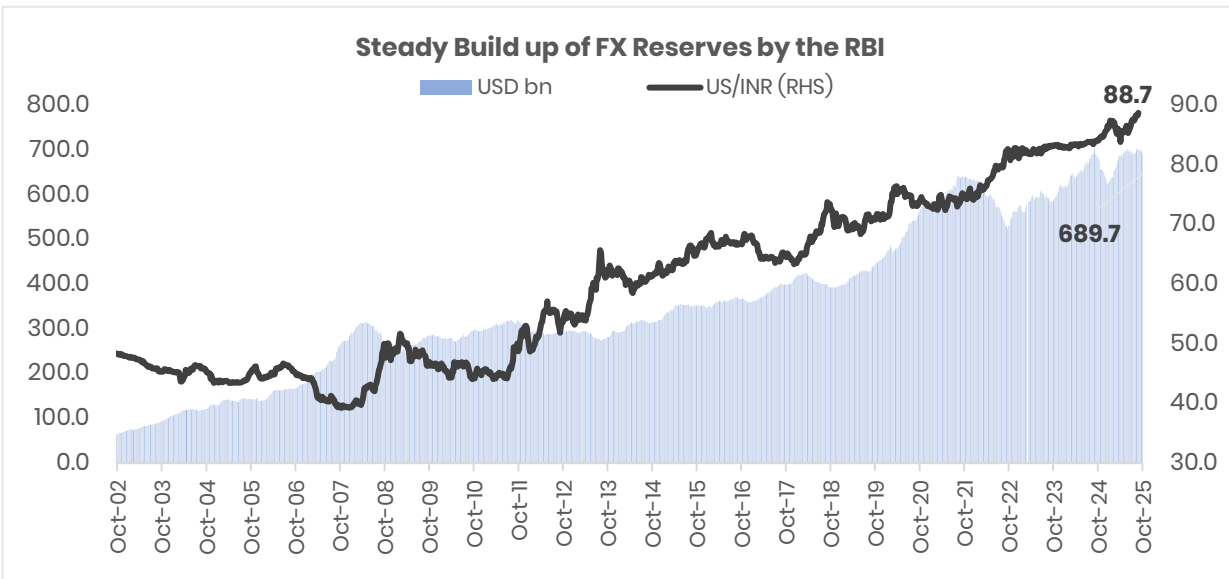
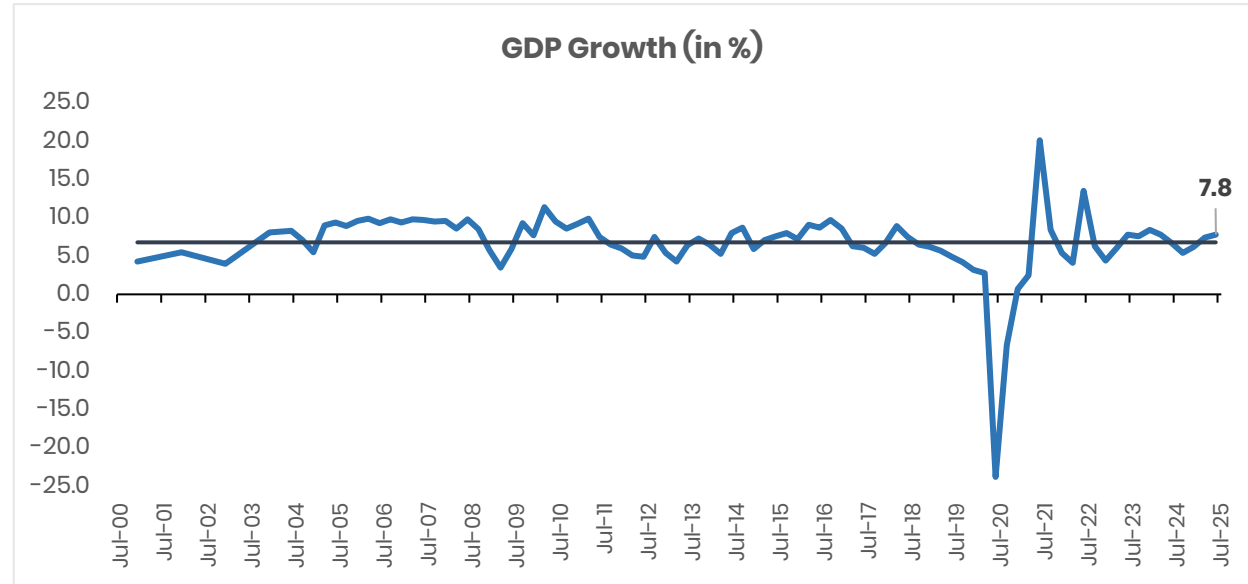
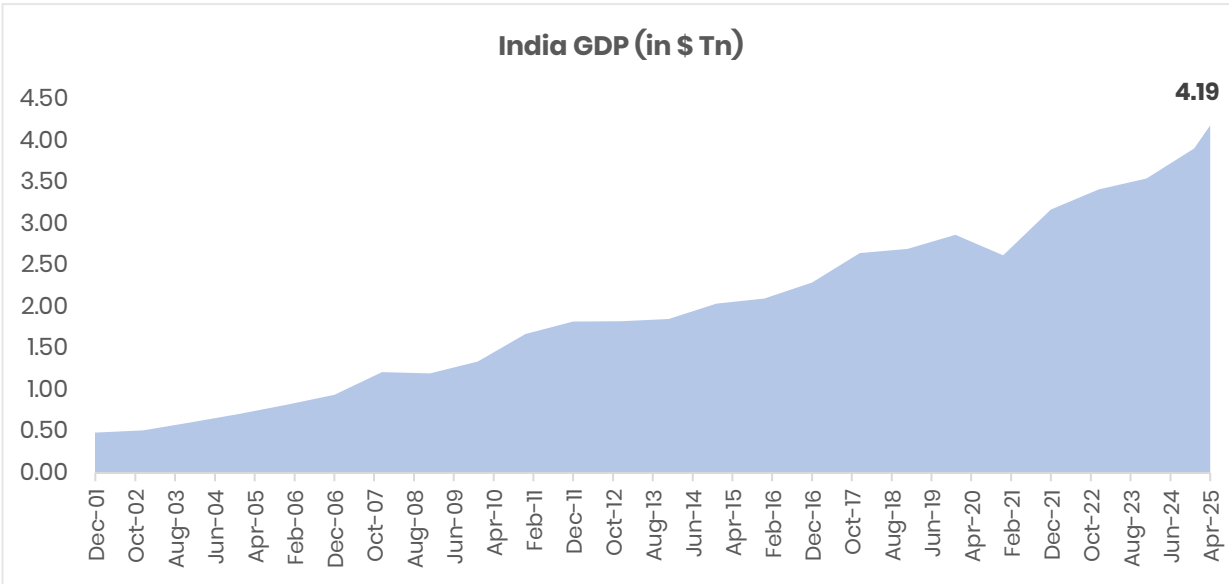
A Monthly Dose of Insights

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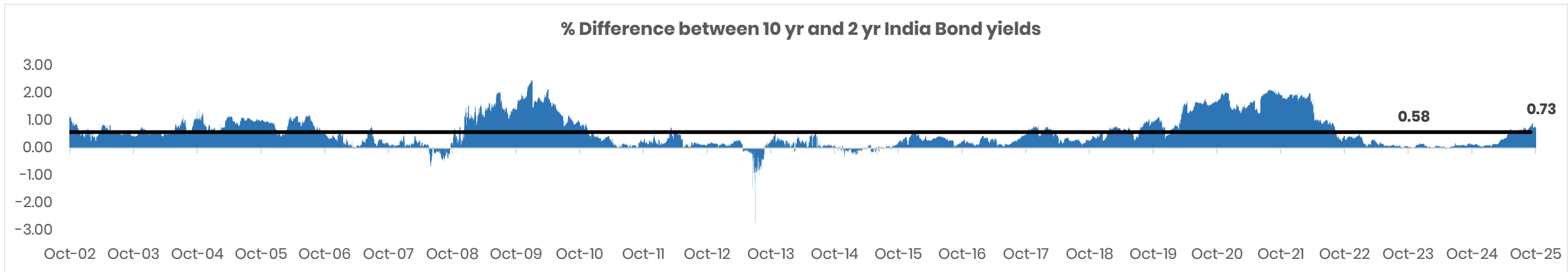
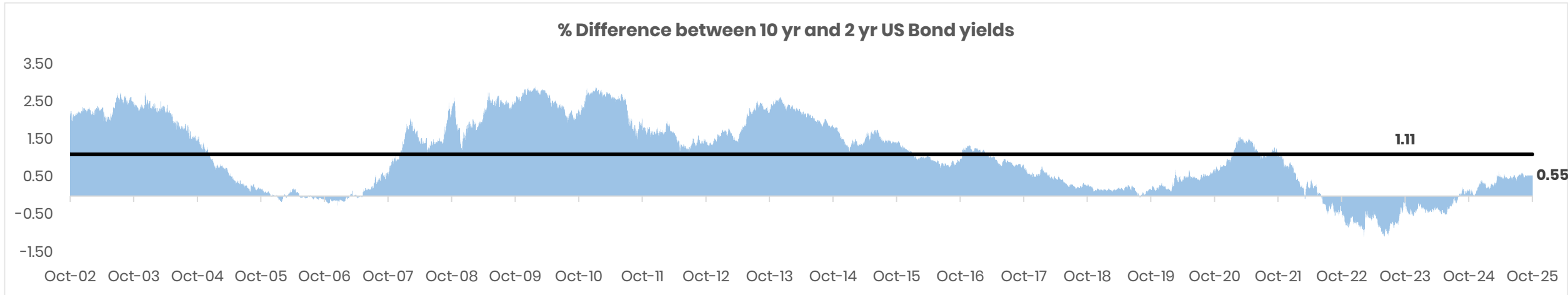
**November 2025**

# MACRO ECONOMIC INDICATORS

# India is the 4<sup>th</sup> largest economy with a GDP of USD 4.19 tn\*

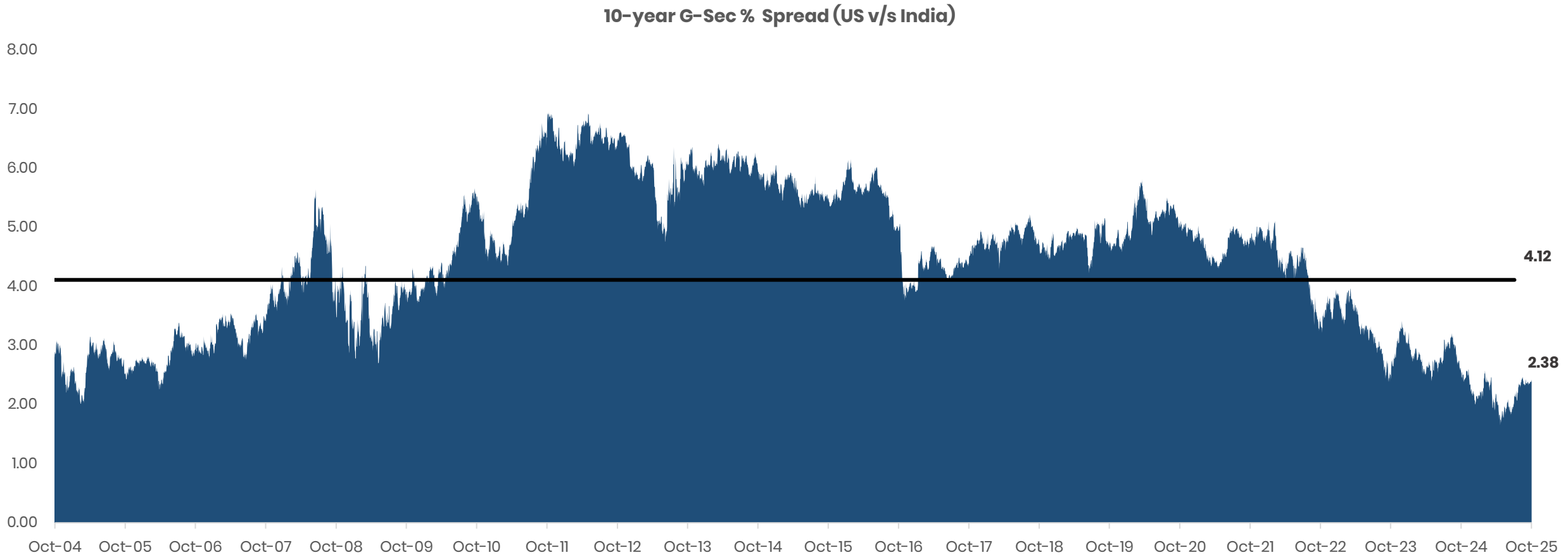


# US bond yield spread is rising gradually



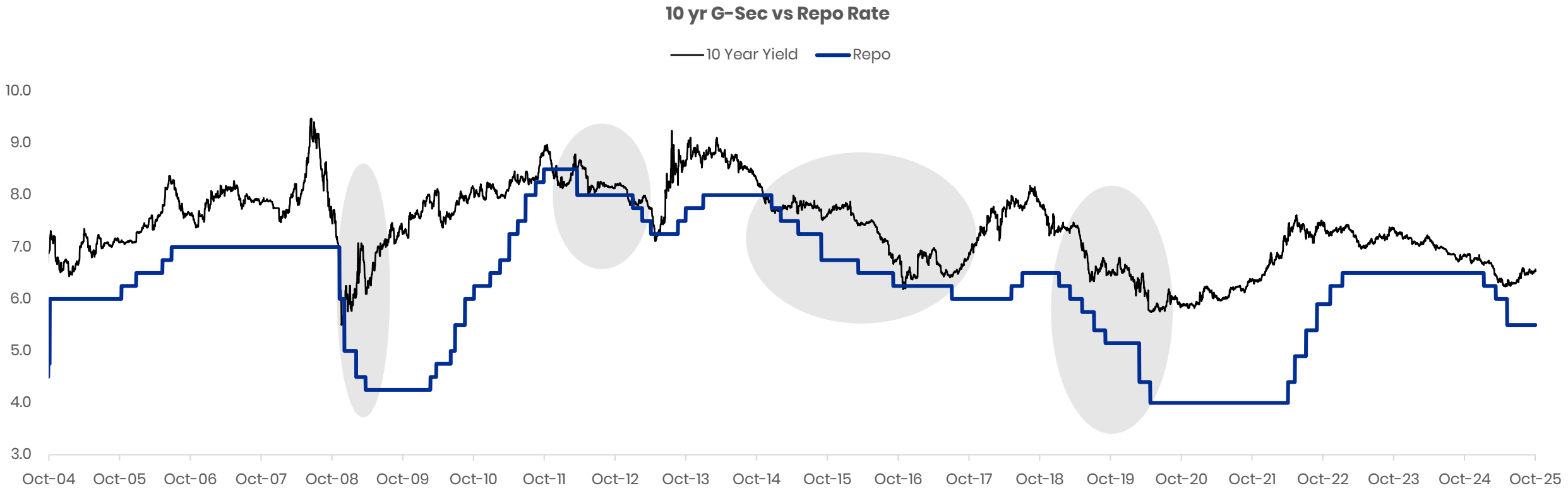
- US yield spread has stayed near 0.55% as Fed rate cuts and guidance have helped keep long-term yields relatively stable.
- India's 10-year to 2-year G-sec yield spread widened to 73 bps (long-term average: 58 bps) from 81 bps last month, primarily due to a sharp rise in 10-year yields following the uncertainty around the tariff.

# 10-year US-India spread is still below its long term average



- The spread between India's and the US 10-year bond yields has been on a rise since the last 6 months, primarily due to a drop in the US Gsec yields..
- A stable government, robust macro indicators, and low inflation have collectively helped keep India's bond yields in check.

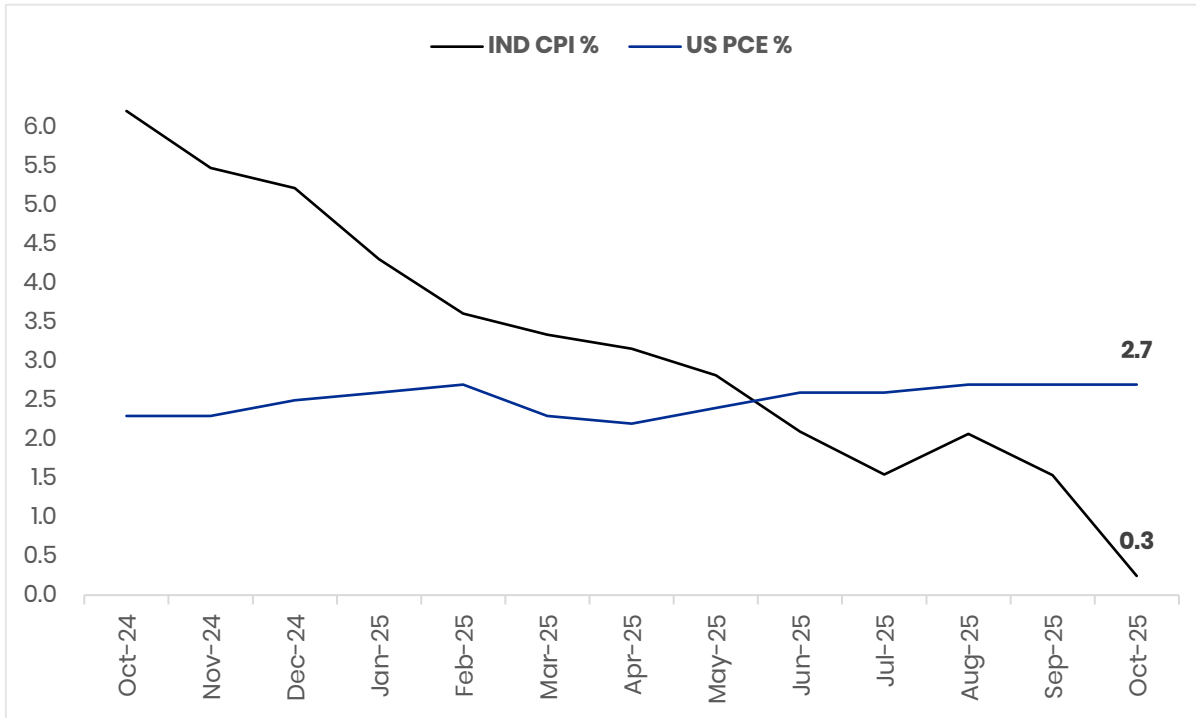
# 10-year G-Sec yield is on a gradual rise



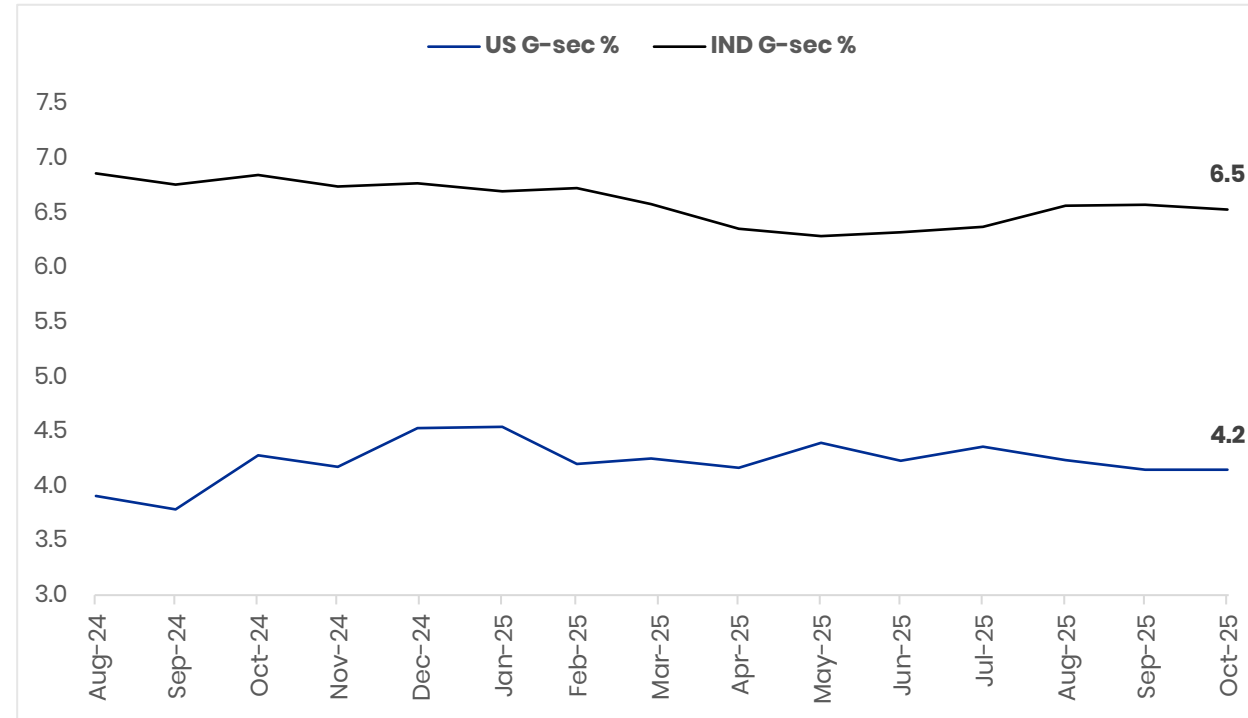
**Past instances of the yield declining before a rate cut** →

Period	Yield Decline Start	First Rate Cut
2008-2009	Jul-08	Oct-08
2011-2013	Nov-11	Apr-12
2014-2017	Apr-14	Jan-15
2018-2020	Sep-18	Feb-19
2025-?	Jun-22	Feb-25

# Inflation in India reached 12 year low



**Inflation:** India's retail inflation eased sharply to 0.25 percent in October, its lowest level in the current series that began in 2013, down from 1.44 percent in September.



**Yield:** US yields have stabilised around 4.2%, due to changing economic conditions, Federal Reserve policy, inflation expectations, and government fiscal policy, whereas India's yields have seen a gradual rise over the past six months.

**Recent Happening:** At its October meeting, Reserve Bank of India (RBI) kept the interest rate unchanged to 5.50%. The MPC also maintained its neutral stance.

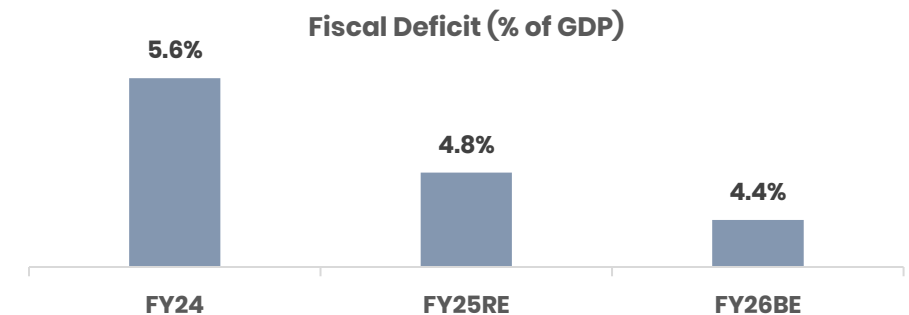
# Focus on fiscal consolidation and consumption

India's Finance Minister Nirmala Sitharaman presented her 8th consecutive budget in the parliament on 1st Feb'25, providing significant tax relief to the middle class. For the first time in many years, **the budget shifted its focus from investment led growth to consumption/savings-driven growth.**

However, the focus on fiscal consolidation remained intact, with the FY26 fiscal deficit target pegged at 4.4% of GDP, lower than the glide path target of 4.5%, which is positive for debt sustainability. The Finance Minister announced that, from FY27 onward, the central government would keep its fiscal deficit in each year (from FY27 to FY31) such that the Central Government debt is on a declining path **to attain a debt-to-GDP ratio in the 49-51% range by FY31.** While the government reduced its total receipt estimates to INR 31.5 tn in FY25RE from INR 32.1 tn in FY25BE (reduction of INR 602 bn), the expenditure target was reduced to INR 47.2 tn in FY25RE from INR 48.2 tn in FY25BE (reduction of INR 1040 bn).

After making these changes, the fiscal deficit stands at INR 15.7 tn in FY25RE from INR 16.1 tn in FY25BE (reduction of INR 438 bn). Consequently, the fiscal deficit is expected to come down to 4.8% of GDP in FY25RE from 4.9% of GDP in FY25BE, despite lower nominal GDP growth of 9.7% YoY in FY25 vs. earlier expected 10.5% YoY in FY25BE. For FY26, the Gol expects total receipts to rise 11.1% YoY to INR 35.0 tn in FY26BE. Further, total expenditure is budgeted to grow at a three-year high pace of 7.4% YoY to INR 50.7 tn. The Gol has budgeted a fiscal deficit of 4.4% of GDP for FY26, implying a consolidation of 40 bps next year.

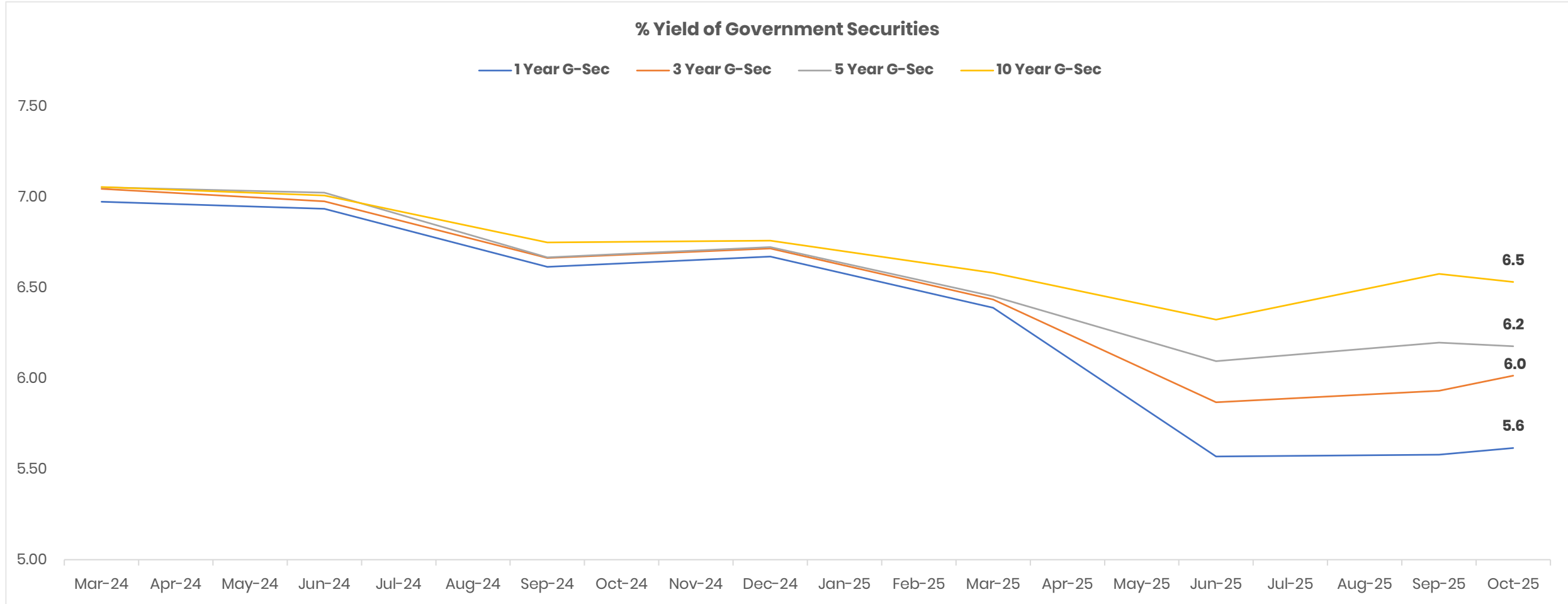
Category	FY25RE (INR t)	FY25RE (% of GDP)	FY26BE (INR tn)	% YoY*	FY26BE (% of GDP)
<b>Revenue</b>					
<b>1. Total receipts</b>	31.5	9.7	35.0	11.1	9.8
<b>2. Revenue receipts (a+b)</b>	30.9	9.5	34.2	10.8	9.6
<b>Gross taxes</b>	38.5	11.9	42.7	10.8	12.0
<b>a. Net taxes</b>	25.6	7.9	28.4	11.0	7.9
Direct taxes	22.4	6.9	25.2	12.7	7.1
i. Corporation taxes	9.8	3.0	10.8	10.4	3.0
ii. Income taxes	12.6	3.9	14.4	14.4	4.0
b. Indirect taxes	16.2	5.0	17.5	8.3	4.9
i. Goods & Services Tax (GST)	10.6	3.3	11.8	10.9	3.3
<b>b. Non-tax revenue</b>	5.3	1.6	5.8	9.8	1.6
<b>Expenditure</b>					
<b>3. Total expenditure (a+b)</b>	47.2	14.6	50.7	7.4	14.2
<b>Core spending</b>	31.5	9.7	33.6	6.7	9.4
<b>a. Revenue expenditure</b>	37.0	11.4	39.4	6.7	11.0
Interest payments	11.4	3.5	12.8	12.2	3.6
Defense	4.3	1.3	4.3	-0.4	1.2
Grants to States/UTs	6.2	1.9	7.4	20.6	2.1
<b>b. Capital expenditure</b>	10.2	3.1	11.2	10.1	3.1
<b>Fiscal deficit (1-3)</b>	15.7	4.8	15.7		4.4
<b>Revenue deficit (2-a)</b>	6.1	1.9	5.2		1.5
<b>Nominal GDP</b>	324.1		357.0	10.1	





# UPDATE ON YIELDS

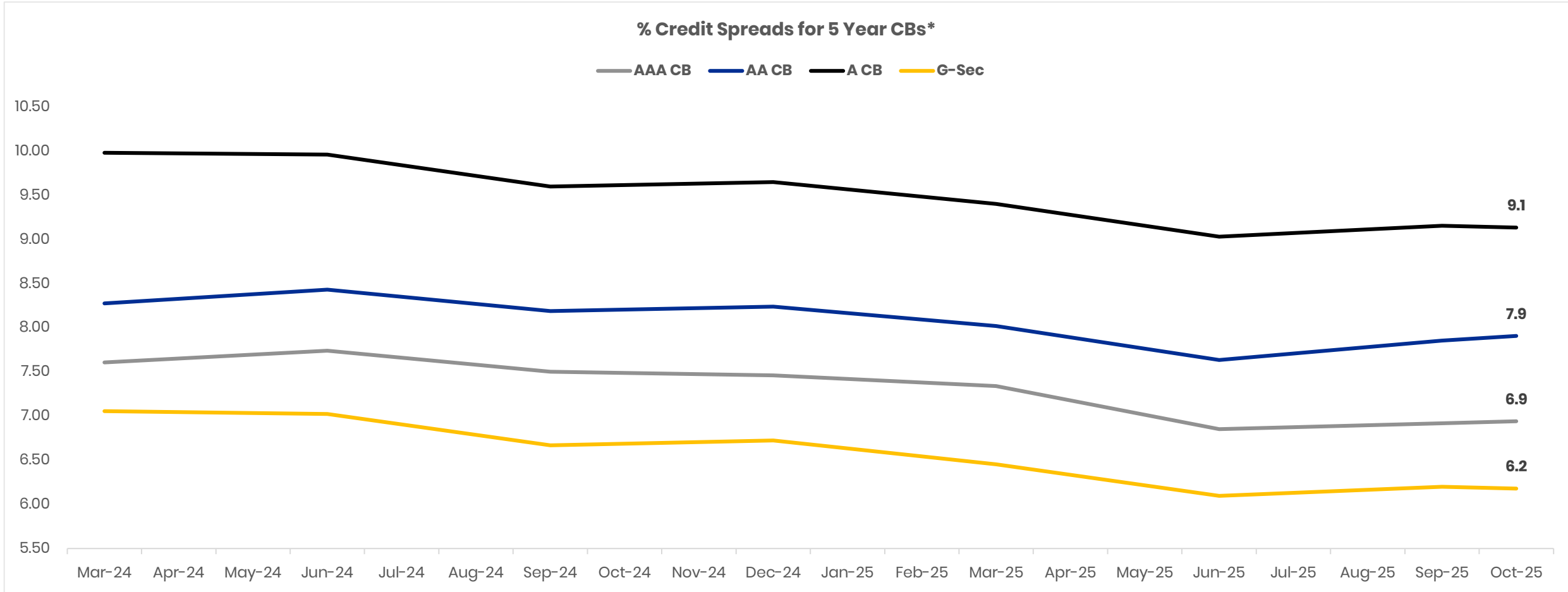
# G-Secs across durations have stabilized



➤ In Oct'25, Government Security yields have stabilized across maturities after declining for the past 12 months.

Source: NSE; Bloomberg; RBI and External Sources. Data as on 31<sup>st</sup> Oct 2025. The above data is shown quarterly

# G-Sec yield spreads increased slightly in Oct'25 v/s CBs\*



- Credit spread between the G-Sec & AAA rated CB stands at 0.76%, whereas with AA rated CB it is 1.73%.
- Rate cuts by RBI & flushing of liquidity have resulted into steepening of yield curve.

# House Views & Recommendations

# Fixed Income Portfolio Strategy

RBI kept the policy rate @ 5.50% and Neutral Stance unchanged on back of 'benign inflation with resilient growth'. However, there remains a scope of policy being accommodative on back of lower inflation prints, global headwinds or FED cementing more policy easing.

On the yields front, the curve has become more steepened wherein the yields at longer end of the curve (10 – 30 yr) has inched up on back of H2 borrowing calendar; currency weakening etc. However, **yields are expected to remain range bound in near to medium term.**

Accrual can be played across the credit spectrum by allocating **45% – 55% of the portfolio** to Performing Credit & Private Credit Strategies, InvITs & Select NCDs

- 30% – 35% may be invested in Performing Credit Strategies/NCDs and InvITs
- 20% – 25% may be invested in Private Credit including Real Estate/Infrastructure strategies and select NCDs

**25% – 35% of the portfolio** may be invested in Arbitrage Funds (minimum 3 months holding period), Income Plus Arbitrage Fund of Funds (min 2 yr holding period), Hybrid SIF Funds (min 2 yr holding period),

For tax efficient fixed income alternative solutions, **20% – 25% of the portfolio** may be allocated in Conservative Equity Savings funds (minimum 3 years holding period)

# Recommended Mutual Funds : Debt

Scheme name	Fund Manager	Inception Date	Annualised Return %					SI	Avg Maturity (years)	Mod Duration (years)	Exp. Ratio %	Gross YTM %	Sov & AAA %	Below AAA %	Call & Cash %	Unrated %
			3 Months	6 Months	1 Year	3 Year	5 Year									
<b>Active Duration Funds</b>																
ICICI Pru All Seasons Bond Fund	Manish Banthia	Jan-10	1.5	2.5	7.6	7.7	6.4	8.7	12.4	4.8	1.3	7.6	62.0	32.8	5.0	0.3
<b>Income Plus Arbitrage (FOF)</b>																
DSP Income Plus Arbitrage Omni FoF	Kaivalya Nadkarni	Aug-14	1.3	2.7	5.4	10.5	6.7	7.1	5.1	-	0.8	6.7	0.0	98.9	1.1	0.0
Kotak Income Plus Arbitrage Omni FOF	Abhishek Bisen	Nov-22	1.6	3.3	7.6	-	-	8.1	-	-	0.3	6.5	0.0	100.2	-0.2	0.0
<b>Dynamic Fund</b>																
Bandhan Dynamic Bond Fund	Suyash Choudhary	Dec-08	1.9	-0.5	3.5	6.7	4.7	7.5	6.6	5.1	1.6	6.6	97.5	0.0	2.1	0.3
DSP Strategic Bond Fund	Sandeep Yadav	May-07	1.2	-0.2	4.5	7.5	5.3	6.8	18.9	-	1.2	6.9	97.3	1.9	0.4	0.4
<b>Arbitrage Funds</b>																
Edelweiss Arbitrage Fund	Bhavesh Jain	Jun-14	1.2	2.9	6.2	7.1	5.8	6.2	0.3	0.3	1.1	6.1	-	-	-	0.0
Invesco India Arbitrage Fund	Deepak Gupta	Apr-07	1.3	3.0	6.3	7.2	5.9	6.6	0.4	0.4	1.1	6.1	-	-	-	0.0
Kotak Equity Arbitrage Fund	Hiten Shah	Sep-05	1.2	2.9	6.3	7.3	5.9	6.9	0.4	0.4	1.1	6.0	-	-	-	0.0
<b>Equity Saving Fund</b>																
ICICI Pru Equity Savings Fund	Dharmesh Kakkad	Dec-14	2.4	4.1	7.7	9.0	9.4	8.0	3.1	1.6	1.0	6.0	11.5	82.9	4.8	0.8
Kotak Equity Savings Fund	Devender Singhal	Oct-14	3.8	6.0	8.5	11.8	11.2	9.4	4.0	2.2	1.8	6.4	13.2	76.2	9.7	0.9

# Exclusive Offers

# Secondary Market Bond Yields

ISIN	SECURITY DESCRIPTION	MATURITY	IP DATES	RATINGS	QUANTUM	YIELD
INE08XP07324	12.50% AKARA CAPITAL ADVISORS PVT. LTD. 2028	27-12-2028	MONTHLY	ICRA BBB	MULTIPLE OF 5 LAKHS	14.00%
INE04HY07294	10.25% VEDIKA CREDIT CAPITAL LTD. 2028	31-07-2028	QUARTERLY	IVR A-	MULTIPLE OF 5 LAKHS	12.00%
INE0BUS07CC7	11.25% INDEL MONEY LTD. 03/11/2030	30-10-2030	MONTHLY	IVR A-	MULTIPLE OF 5 LAKHS	11.84%
INE818W08131	11.10% ESAF SMALL FINANCE BANK 2031	17-07-2031	QUARTERLY	A BY CARE	MULTIPLE OF 5 LAKHS	11.50%
INE0BUS07CD5	10.25% INDEL MONEY LTD. 2028	30-10-2028	MONTHLY	IVR A-	MULTIPLE OF 5 LAKHS	10.74%
INE735W08053	11.00% UTKARSH SMALL FINANCE BANK LTD. 2031	CALL : 28-06-2029	QUARTERLY	ICRA A+	MULTIPLE OF 5 LAKHS (Limited quantum only)	10.55%
INE549K08541	10.40% MUTHOOT FINCORP LTD. 2033	22-08-2033	MONTHLY	CRISIL AA-	MULTIPLE OF 5 LAKHS	10.55%
INE0BUS07CE3	9.75% INDEL MONEY LTD. 2027	30-10-2027	MONTHLY	IVR A-	MULTIPLE OF 5 LAKHS	10.20%
INE101Q07BR3	9.75% MUTHOOTTU MINI FINANCIERS.LTD. 2028	27-10-2028	MONTHLY	CARE A-	MULTIPLE OF 5 LAKHS	10.18%
INE07HK07825	10.65% KRAZYBEE SERVICES PRIVATE LTD. 2027	25% 12-MAY-2027; 25% 12-JUN-2027; 25% 12-JUL-2027; 25% 12-AUG-2027	MONTHLY	CRISIL A	MULTIPLE OF 5 LAKHS (Limited quantum only)	10.00%
INE605Y07197	9.80% AUXILO FINSERVE PVT. LTD. 2028	29-01-2028	QUARTERLY	CRISIL A+	MULTIPLE OF 5 LAKHS	9.63%
INE02VP07065	9.80% IKF HOME FINANCE LTD. 2028	25% 24 JUN 2027; 25% 24 SEPT 2027; 25% 24 DEC 2027; 25% 24 MAR 2028	QUARTERLY	A BY CARE	MULTIPLE OF 3 LAKHS	9.57%

\*Above mentioned rates are tentative as on 13<sup>th</sup> Nov'25 & subject to change as per market conditions. Kindly check the availability of before closing the deal | Please refer to T&Cs | IP: Interest Payment



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# Thank You!

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**\*Such representations are not indicative of future results.**

**Investment in securities market are subject to market risks, read all the related documents carefully before investing.**