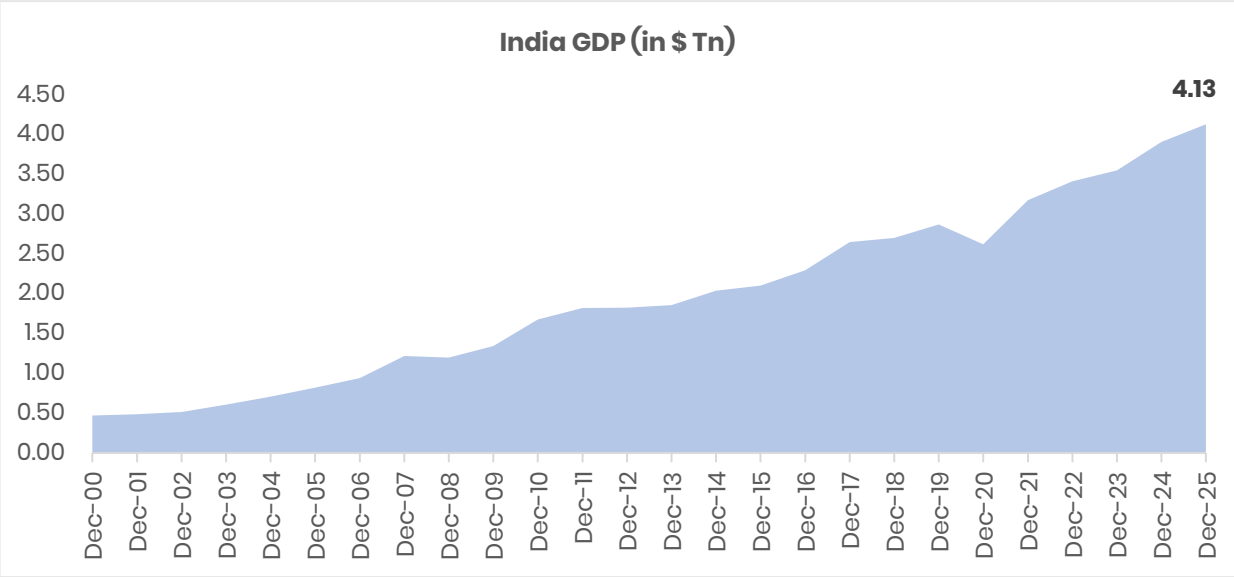
# Fixed Income Navigator

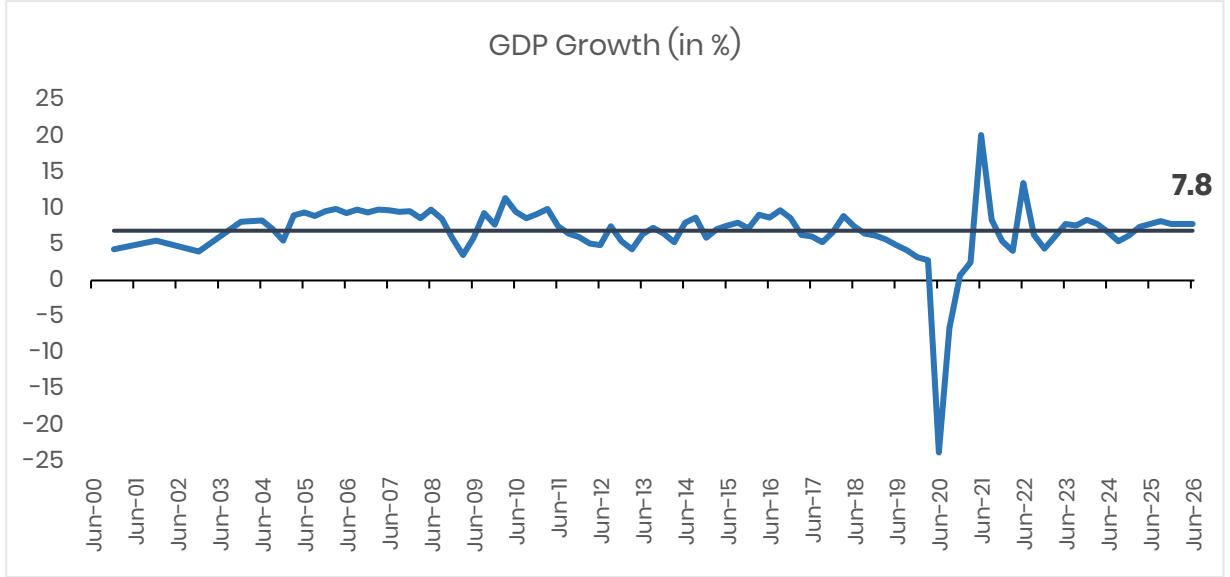
## A Monthly Dose of Insights

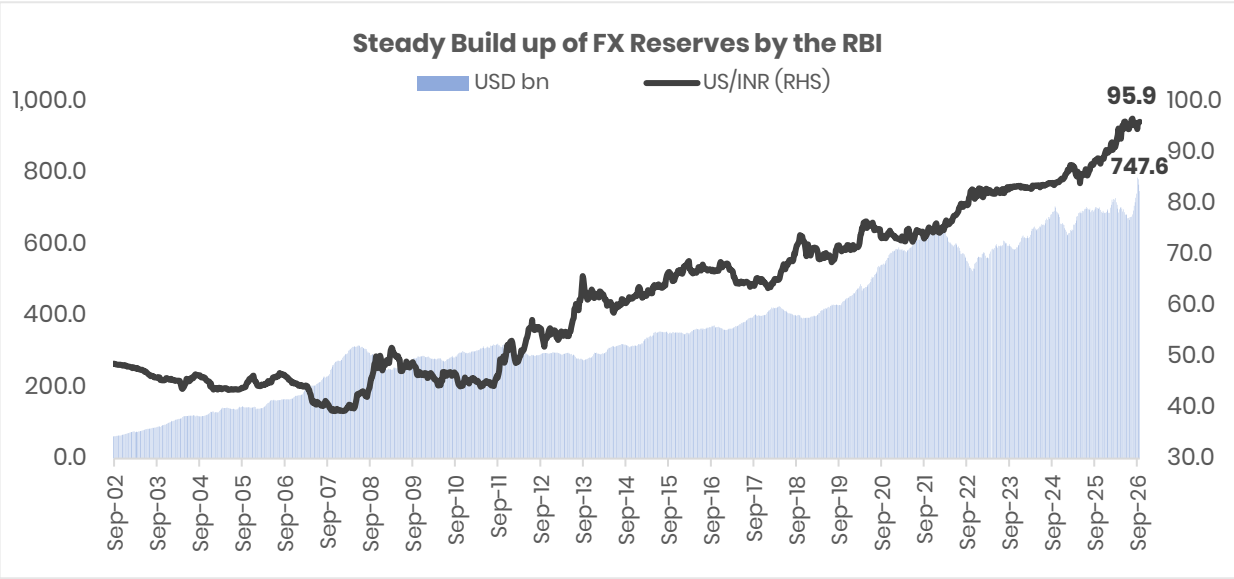
**October 2026**

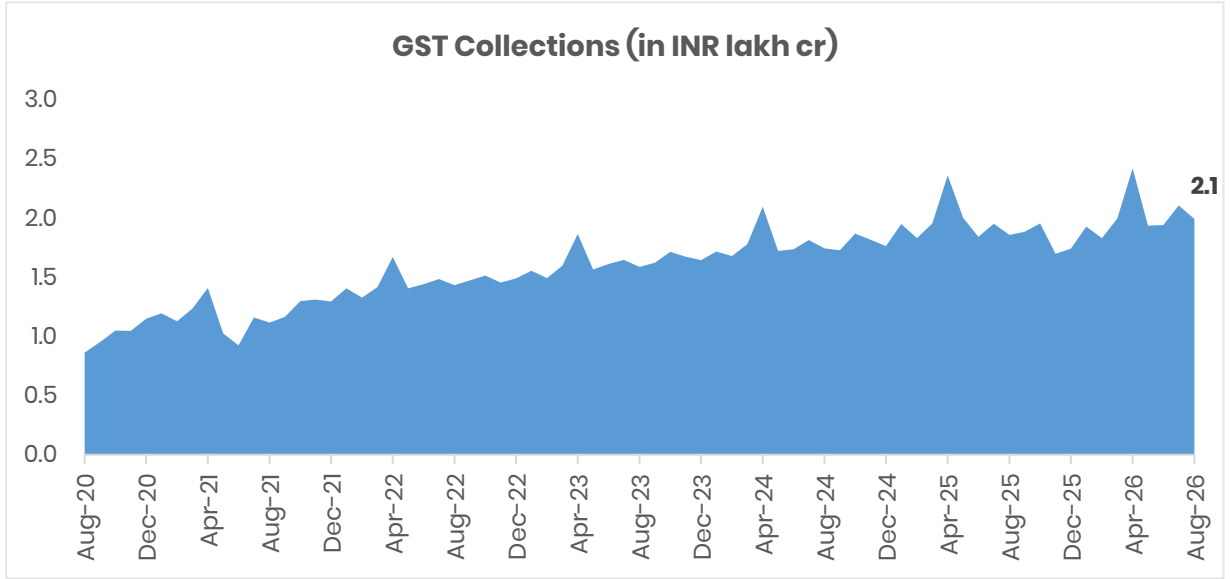
# MACRO ECONOMIC INDICATORS

# India slips to 6th Spot in the World Economy



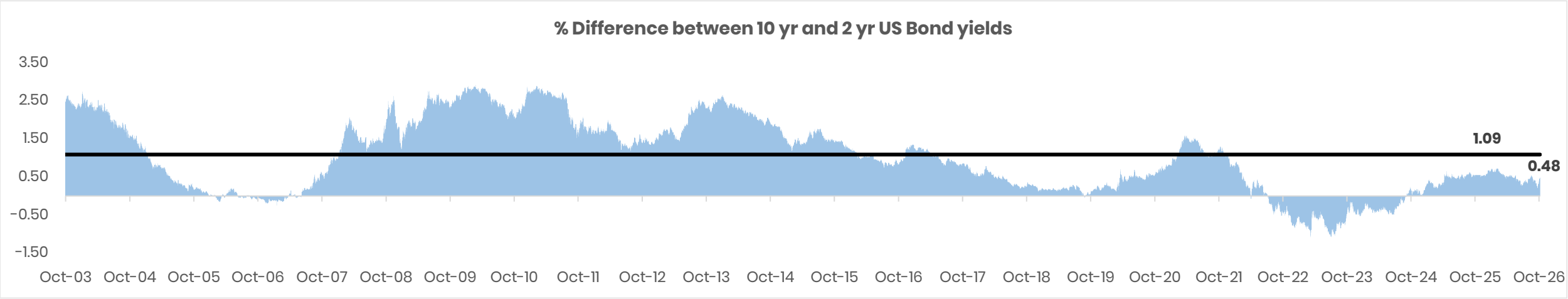



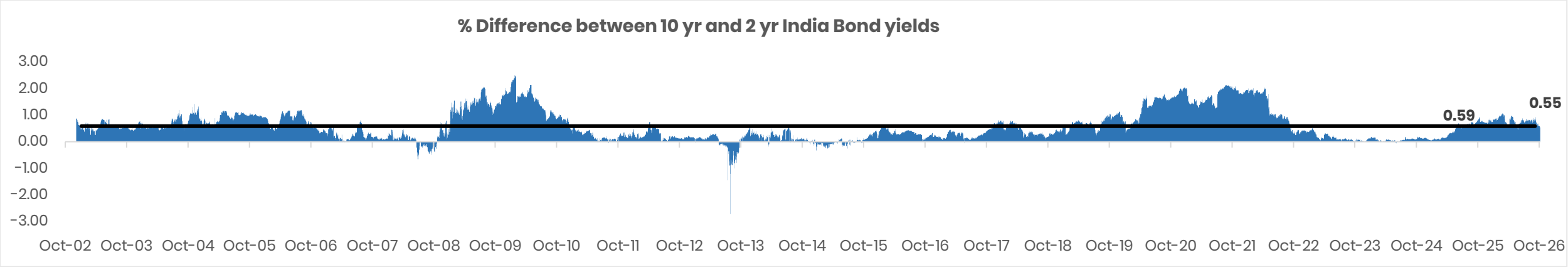




Source: US Spread – Investing.com, India Spread- Bloomberg, LTA – Long Term Average , IMF and World Bank data

# India bond yield spread is rising gradually

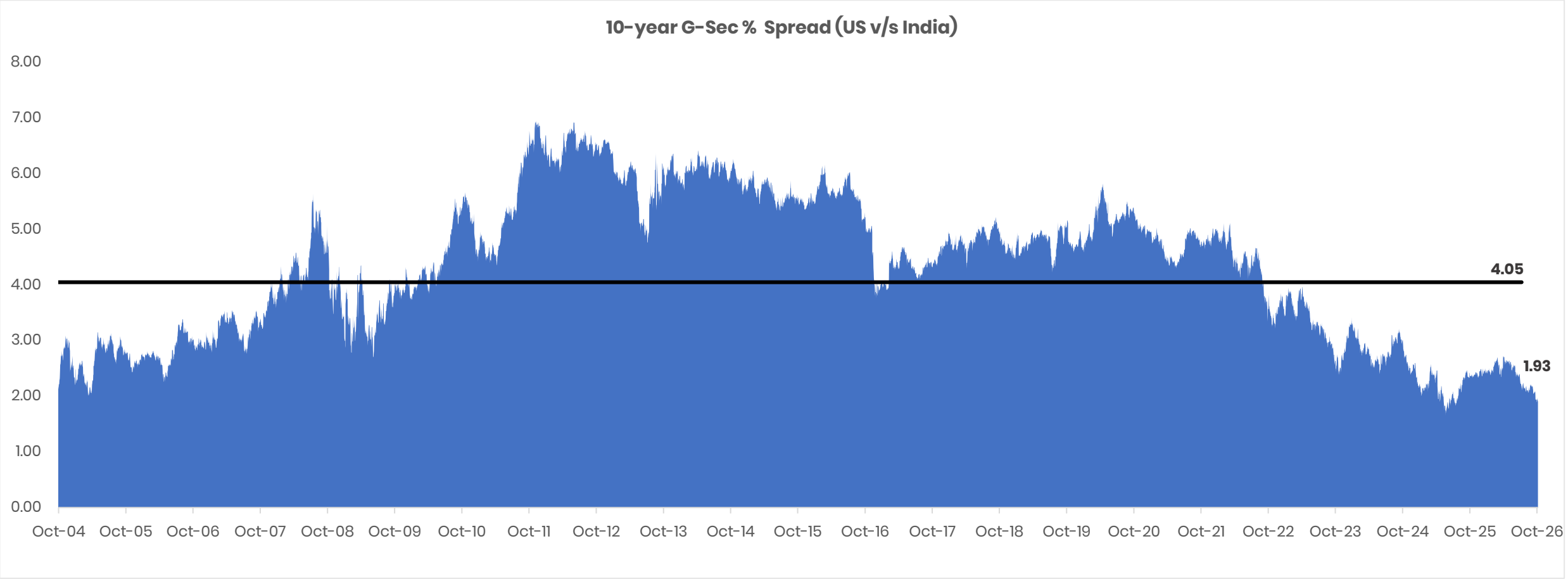



- US yield spread rose to 0.48% (vs low of 0.26 % in June) driven by an increase in long-term yields.
- India's 10-year to 2-year G-sec yield spread has cooled to 0.55% (after rising till 1.07% in Feb) primarily due to an increase in 2 year yields.

Source: US Spread – Investing.com, India Spread- Bloomberg, LTA – Long Term Average

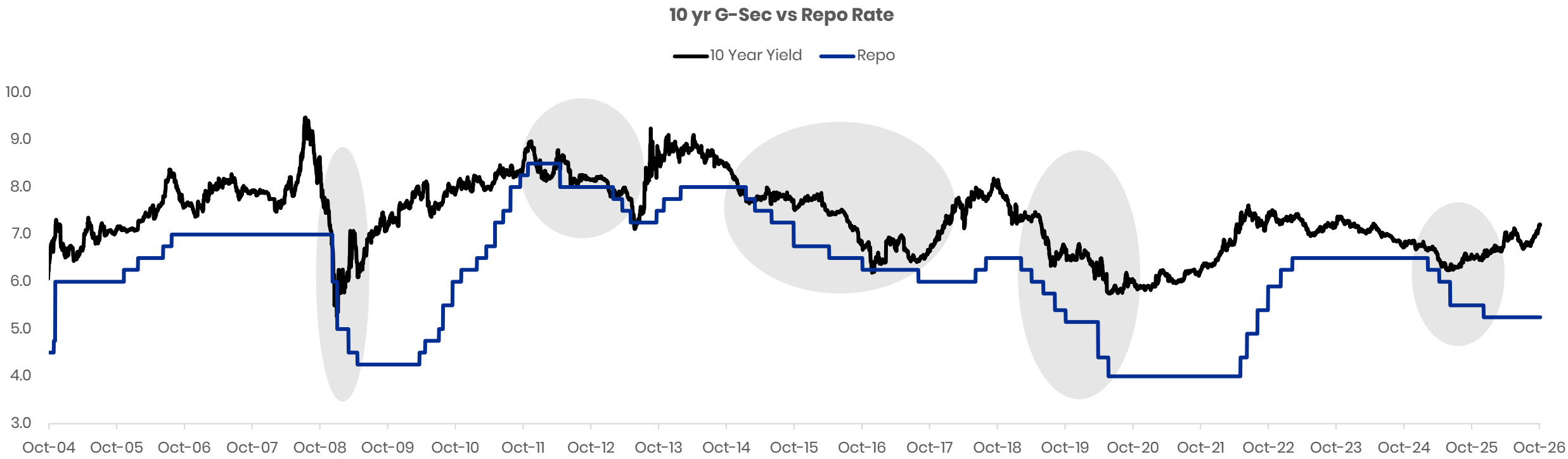
# 10-year US-India spread is still below its long term average




- The spread between India's and the US 10-year bond yields cooled down to 1.93 after rising for last 4 quarters, primarily due to a rise in US yields.
- Elevated crude oil prices are straining India's financials, driving an uptick in yields, with the 10-year G-sec nearing 7.2%

Source: US G-sec – Investing.com, India G-sec - Bloomberg

# 10-year G-Sec yield has seen a sharp rise

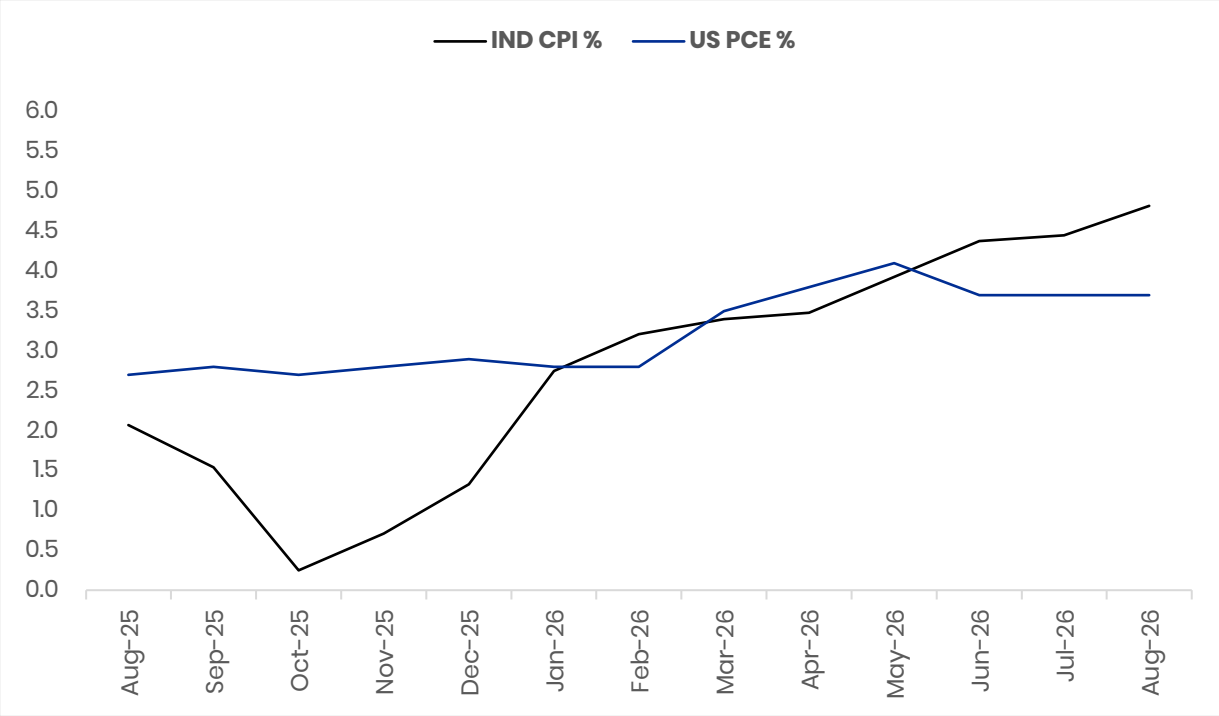


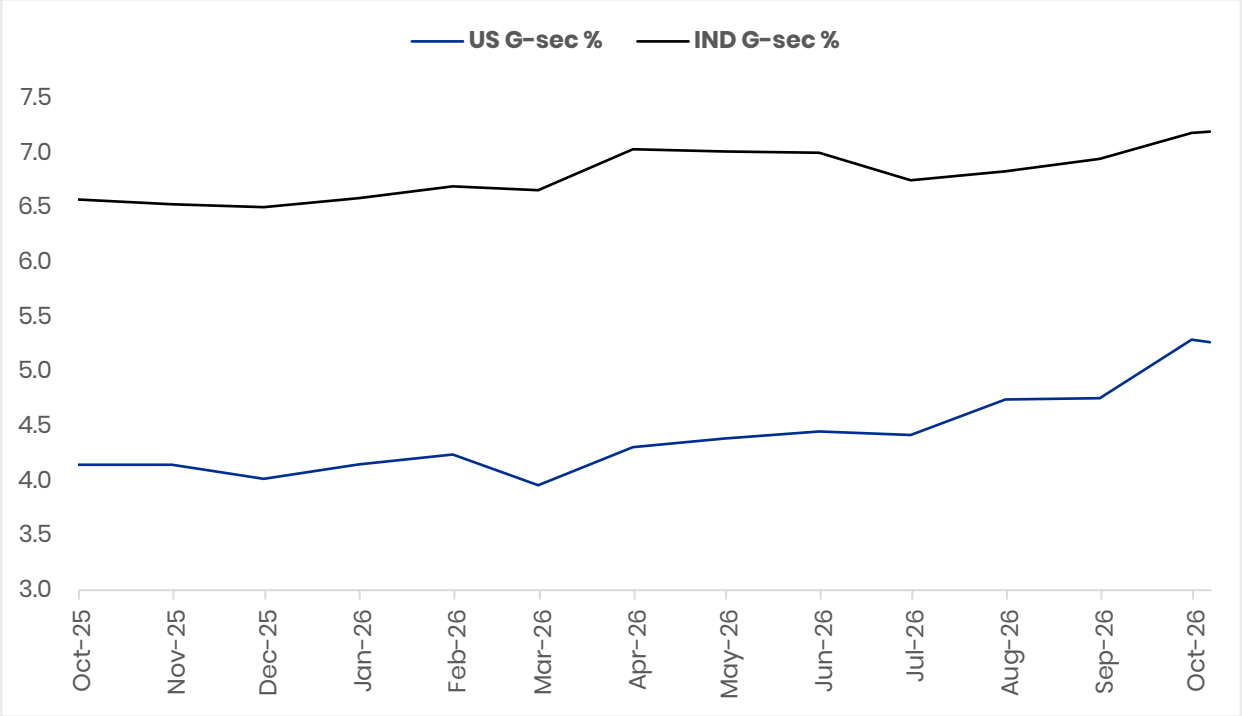

**Past instances of the yield declining before a rate cut**

| 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 |

Source: India Spread- Bloomberg, RBI

# India's Inflation Rises and Breaches RBI's Tolerance Band




**Inflation:** India's retail inflation increased up to 4.82% in August, compared to 4.45% in July. The upward tick remains predominantly food and fuel driven rather than broad-based. The current level marks a 20-month high and breached the RBI's tolerance band of 2%-4%.

**Yield:** India has seen its yields in a range of 6.9% to 7.2% primary due to the risk of rising inflation and weakening rupee whereas the US yields has been in a range of 4.8% to 5.3% during the September month.

**Recent Happening:** In the September meeting, the US Federal Reserve raised the interest rate by 25 bps to 3.75%–4.00%, citing elevated inflation and persistent price pressures.

Source : US CPI Is tracked by UC PCE (Personal Consumption Expenditures)

# Focus on fiscal consolidation

India's Finance Minister Nirmala Sitharaman made history as she presents a record ninth consecutive Budget on 1st Feb'26. The Budget adopts a distinctive "Yuva Shakti" framework, reaffirming the Government's Sankalp to support the poor, underprivileged, and disadvantaged through a defined three-pillar approach.

However, the focus on fiscal consolidation remained intact, with the FY27 fiscal deficit target pegged at 4.3% of GDP, lower than the glide path target of 4.5%, which is positive for debt sustainability.

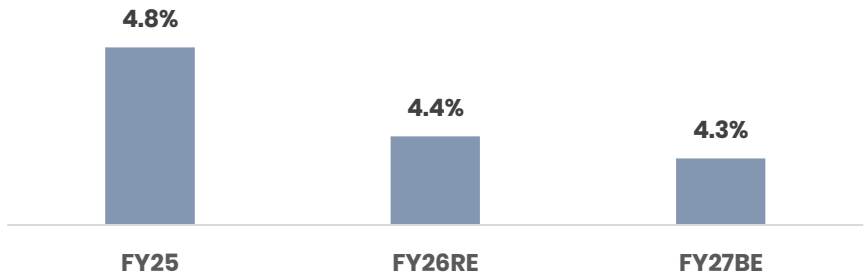
The Finance Minister announced that, the central government is budgeted to reduce to 55.6% in FY27 with **a target to attain a debt-to-GDP ratio of about 50 ± 1% by FY31**.

While the government reduced its total receipt estimates to INR 34.1 tn in FY26RE from INR 35.0 tn in FY26BE (reduction of INR 901 bn), the expenditure target was reduced to INR 49.6 tn in FY26RE from INR 50.7 tn in FY26BE (reduction of INR 1005 bn).

Growth is expected to be supported by higher public capex, infrastructure expansion in Tier-2/3 cities, incentives for data centres, and capital support for SMEs and micro enterprises.

| Category | FY26RE (INR t) | FY26RE (% of GDP) | FY27BE (INR tn) | % YoY* | FY27BE (% of GDP) |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| **1. Total receipts** | 34.1 | 9.5 | 36.5 | 7.2 | 9.3 |
| **2. Revenue receipts (a+b)** | 33.4 | 9.4 | 35.3 | 5.7 | 9.0 |
| **Gross taxes** | 40.8 | 11.4 | 44.0 | 8.0 | 11.2 |
| **a. Net taxes** | 26.7 | 7.5 | 28.7 | 7.2 | 7.3 |
| Direct taxes | 24.2 | 6.8 | 25.2 | 4.1 | 6.4 |
| i. Corporation taxes | 11.1 | 3.1 | 10.8 | -2.6 | 2.7 |
| ii. Income taxes | 13.1 | 3.7 | 14.4 | 9.8 | 3.7 |
| b. Indirect taxes | 6.1 | 1.7 | 6.9 | 12.7 | 1.8 |
| i. Goods & Services Tax (GST) | 10.5 | 2.9 | 10.2 | -2.6 | 2.6 |
| **b. Non-tax revenue** | 6.7 | 1.9 | 6.7 | -0.2 | 1.7 |
| **Expenditure** | | | | | |
| **3. Total expenditure (a+b)** | 49.6 | 13.9 | 53.5 | 7.7 | 13.6 |
| **a. Revenue expenditure** | 38.7 | 10.8 | 41.3 | 6.6 | 10.5 |
| Interest payments | 12.7 | 3.6 | 14.0 | 10.2 | 3.6 |
| Grants to States/UTs | 3.1 | 0.9 | 4.9 | 59.9 | 1.3 |
| **b. Capital expenditure** | 11.0 | 3.1 | 12.2 | 11.5 | 3.1 |
| | | | | | |
| **Fiscal deficit (1-3)** | 15.6 | 4.4 | 17.0 | | 4.3 |
| **Revenue deficit (2-a)** | 5.3 | 1.5 | 5.9 | | 1.5 |
| **Nominal GDP** | 357.1 | | 393.0 | 10.0 | |

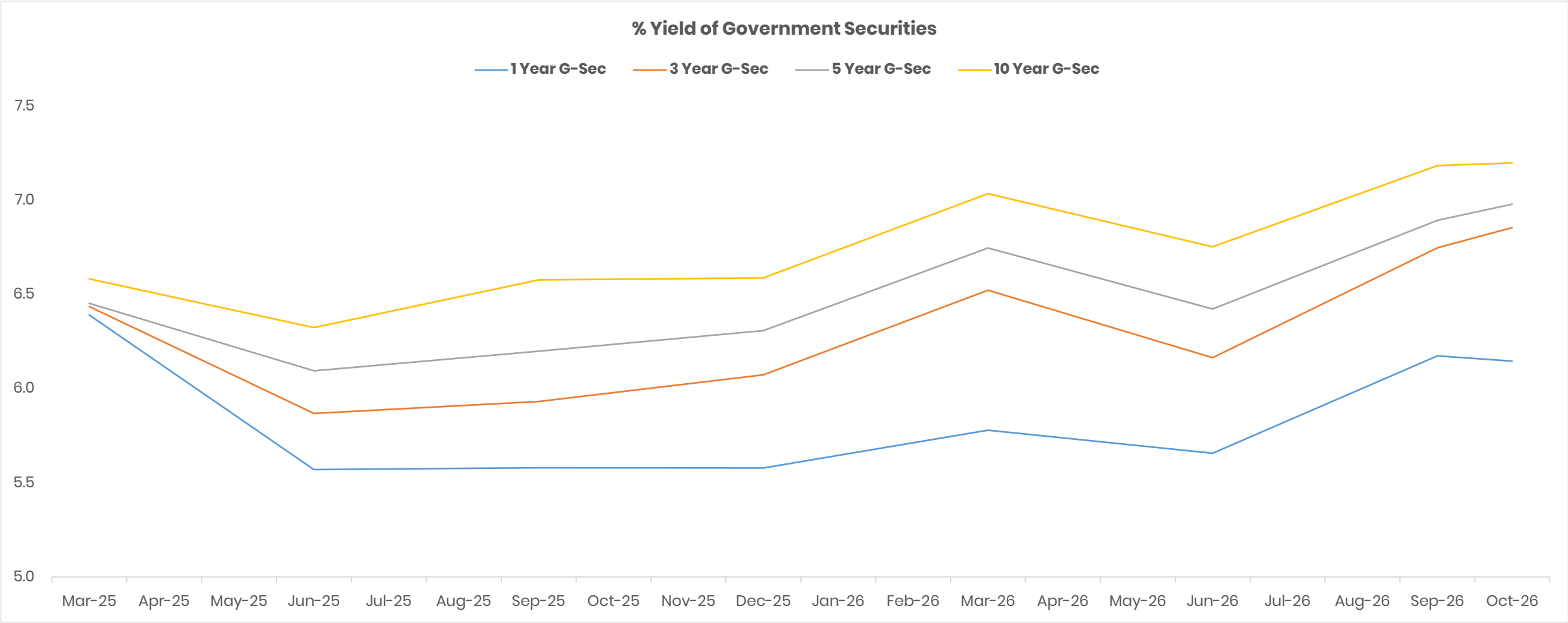
**Fiscal Deficit (% of GDP)**




Source : FY26 Budget Documents, MOFSL | RE – Revised Estimate, BE – Budgeted Estimate

# UPDATE ON YIELDS

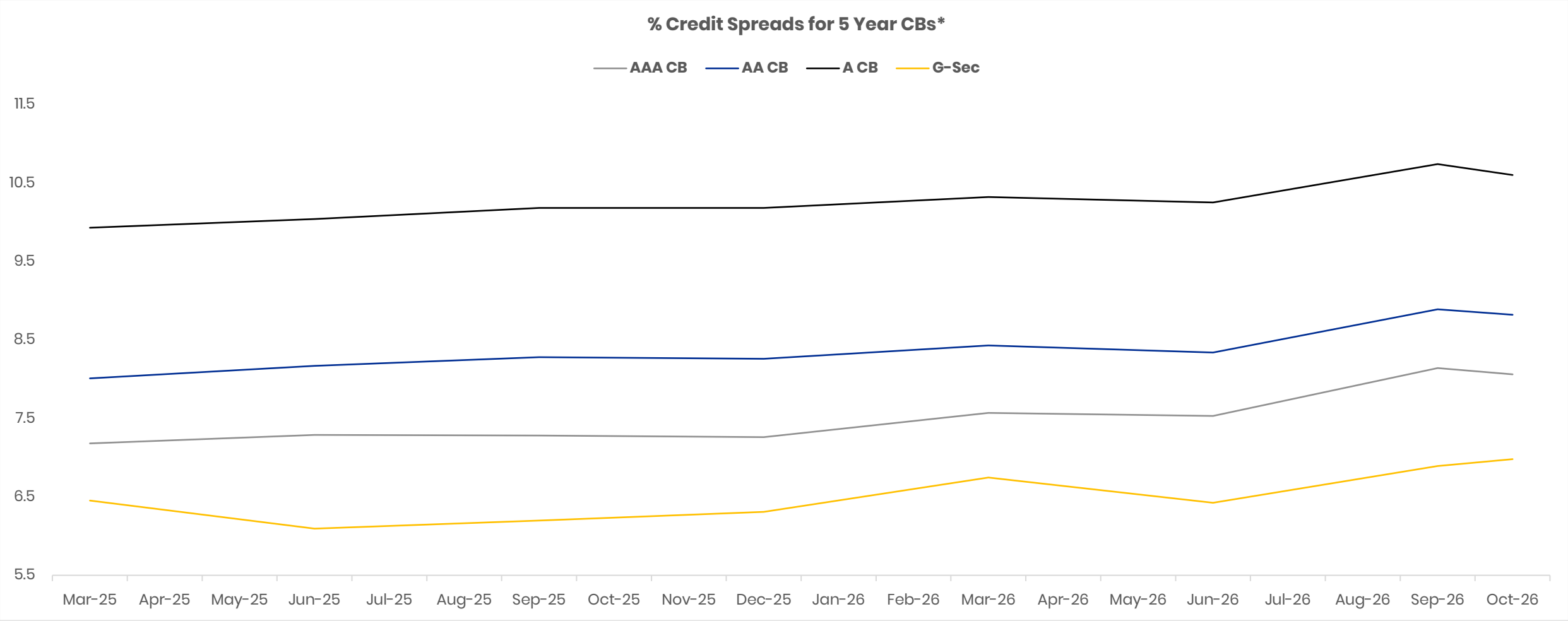
# G-Secs across durations are rising




- Indian G-Sec Yield curve has risen across durations due to global factors like rise in crude oil prices, UST yields, FED & Global Central Banks' hawkish signals.

Source: NSE; Bloomberg; RBI and External Sources. Data as on 6th October 2026. The above data is shown quarterly

# G-Sec yield spreads increased in Mar'26 v/s CBs*




- Credit spreads between G-Secs and AAA rated corporate bonds is 1.08%, while spreads for AA rated corporate bonds stand at 1.84%.

Source: NSE; Bloomberg; RBI and External Sources. Data as on 6th October 2026. | *CB – Corporate Bonds

# House Views & Recommendations

# Fixed Income Portfolio Strategy

West Asia war (from late Feb) pushed Brent from ~$73 to a $124 peak; Fed, ECB, BoJ hiked; global 10Y yields at 15–25 year highs. India's buffers — domestic investor base, fiscal consolidation, RBI intervention — limited the damage in rupee terms, but the INR is still down by ~8% in a year against USD.

RBI's October policy decision marks the beginning of an inflation-led tightening cycle, with external stability emerging as an important additional consideration.

The RBI should balance domestic price stability and growth resilience while preserving sufficiently attractive risk-adjusted returns on rupee assets amid elevated global yields and capital-flow volatility.

We retain our base case of a further 50 bp of tightening, taking the repo rate to 6.00% by mid-2027. Until inflation pressures ease and the policy-rate cycle approaches its peak.

Accrual can be played across the credit spectrum by allocating **55% – 60% of the portfolio** to Performing Credit & Private Credit Strategies, InvITs & high yield NCDs for a period of minimum 3-5 years.

**Remaining of the portfolio** may be invested in relatively liquid fixed income alternative solutions like Arbitrage Funds (minimum 3 months holding period) and Hybrid SIF Funds (min 2 yr holding period).

# Recommended Mutual Funds : Debt

| Scheme name | Fund Manager | Inception Date | Annualised Return % | | | | | | Avg Maturity | Mod Duration | Exp. | Gross YTM % | Sov & AAA | Below AAA | Call & Cash | Unrated |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 3 Months | 6 Months | 1 Year | 3 Year | 5 Year | SI | (years) | (years) | Ratio % | | % | % | % | % |
| **Active Duration Funds** | | | | | | | | | | | | | | | | |
| ICICI Pru Dynamic Term Fund | Manish Banthia | Jan-10 | -0.6 | 3.3 | 3.9 | 6.8 | 6.2 | 8.5 | 12.7 | 5.5 | 1.3 | 8.0 | 60.5 | 35.2 | 4.0 | 0.3 |
| **Income Plus Arbitrage (FOF)** | | | | | | | | | | | | | | | | |
| Axis Income Plus Arbitrage Active FOF | Devang Shah | Jan-20 | 0.7 | 3.2 | 5.3 | 7.5 | 6.3 | 6.7 | - | - | 0.5 | - | - | 97.4 | 2.6 | - |
| DSP Income Plus Arbitrage Omni FoF | Kaivalya Nadkarni | Aug-14 | 0.4 | 2.9 | 4.4 | 10.5 | 5.7 | 6.9 | - | - | 0.9 | 7.0 | - | 99.6 | 0.4 | - |
| ICICI Pru Income plus Arbitrage Omni FOF | Manish Banthia | Dec-03 | 0.6 | 3.1 | 5.6 | 8.8 | 8.9 | 8.7 | - | - | 0.3 | - | - | 97.1 | 2.9 | - |
| Kotak Income Plus Arbitrage Omni FOF | Abhishek Bisen | Nov-22 | 0.7 | 3.2 | 5.3 | 7.3 | - | 7.4 | 3.0 | 1.8 | 0.3 | 7.5 | - | 99.4 | 0.6 | - |
| **Dynamic Fund** | | | | | | | | | | | | | | | | |
| Bandhan Dynamic Bond Fund | Suyash Choudhary | Dec-08 | -0.7 | 4.8 | 5.8 | 7.1 | 5.3 | 7.4 | 0.6 | 0.4 | 1.7 | 5.9 | 39.2 | - | 60.3 | 0.5 |
| DSP Strategic Bond Fund | Sandeep Yadav | May-07 | -1.8 | 2.8 | 0.9 | 5.6 | 4.9 | 6.5 | 15.2 | 7.3 | 1.2 | 7.4 | 74.0 | 8.5 | 16.6 | 0.9 |
| **Arbitrage Funds** | | | | | | | | | | | | | | | | |
| Edelweiss Arbitrage Fund | Bhavesh Jain | Jun-14 | 1.4 | 3.0 | 6.1 | 6.7 | 6.2 | 6.2 | 0.4 | 0.4 | 2.3 | 6.6 | 16.3 | 82.0 | 1.7 | - |
| Invesco India Arbitrage Fund | Deepak Gupta | Apr-07 | 1.5 | 3.1 | 6.3 | 6.7 | 6.4 | 6.6 | 0.3 | 0.3 | 2.9 | 6.2 | 7.3 | 16.7 | 76.0 | - |
| Kotak Arbitrage Fund | Hiten Shah | Sep-05 | 1.4 | 3.0 | 6.2 | 6.8 | 6.3 | 6.9 | 0.4 | 0.4 | 2.9 | 7.0 | - | - | 0.7 | - |
| Motilal Oswal Arbitrage Fund | Vishal Ashar | Dec-24 | 1.4 | 2.8 | 6.1 | - | - | 6.2 | 0.2 | 0.2 | 2.0 | 6.0 | - | - | 76.8 | - |
| **Equity Saving Fund** | | | | | | | | | | | | | | | | |
| ICICI Pru Equity Savings Fund | Dharmesh Kakkad | Dec-14 | 0.2 | 2.4 | 1.9 | 6.2 | 6.7 | 7.4 | 3.6 | 2.0 | 1.6 | 6.2 | 10.3 | 83.4 | 5.7 | 0.6 |
| Kotak Equity Savings Fund | Devender Singhal | Oct-14 | -0.5 | 4.1 | 1.8 | 8.6 | 8.7 | 8.7 | 2.6 | 1.7 | 2.1 | 7.1 | 12.9 | 74.6 | 7.0 | 5.5 |

Data as on 6th Oct, 2026 | Expense Ratio = Total Expense Ratio

# Exclusive Offers

# Secondary Market Bond Yields

motilal oswal
think wealth creation

| ISIN | SECURITY DESCRIPTION | MATURITY | IP DATES | RATINGS | QUANTUM | YIELD |
|---|---|---|---|---|---|---|
| INE964R07150 | 13.00% REGENCY FINCORP LTD 2029 | 11-03-2028 (30%)<br>11-09-2028 (30%)<br>11-03-2029 (40%) | MONTHLY | BBB by IVR | MULTIPLE OF 5 LAKHS | 0.1378 |
| INE08E808082 | 12.35% SHRI RAM FINANCE CORP. PVT. LTD 2031 | 15-10-2031 | MONTHLY | A by ACUITE | MULTIPLE OF 5 LAKHS | 13.00% |
| INE04UP07246 | 12.25% BEST CAPITAL SERVICES LIMITED 2029 | 11-09-2029 | MONTHLY | BBB/ Stable by IVR | MULTIPLE OF 5 LAKHS | 12.95% |
| INE08XP07324 | 12.50% AKARA CAPITAL ADVISORS PRIVATE LIMITED 2028 | 27-06-2028 (50%)<br>27-12-2028 (50%) | MONTHLY | BBB+ By ACUITE | MULTIPLE OF 5 LAKHS | 12.50% |
| INE08XP07522 | 12.50% AKARA CAPITAL ADVISORS PVT. LTD 2027 | 03-12-2027 | MONTHLY | BBB+ By ACUITE | MULTIPLE OF 5 LAKHS (LIMITED QUANTUM) | 12.25% |
| INE04HY07419 | 11.50% VEDIKA CREDIT CAPITAL LTD 2031 | 11-08-2029 (30%)<br>11-08-2030 (30%)<br>11-08-2031 (40%) | MONTHLY | A- by IVR | MULTIPLE OF 10 LAKHS | 11.75% |
| INE076I07061 | 11.00% RDC CONCRETE (INDIA) LIMITED 2029 | 12-08-2028 (30%)<br>12-11-2028 (30%)<br>12-02-2029 (40%) | MONTHLY | A- by ACUITE | MULTIPLE OF 5 LAKHS | 11.56% |
| INE0BUS07CT1 | 11% INDEL MONEY LIMITED 2031 | 24-08-2031 | MONTHLY | A- by India Ratings | MULTIPLE OF 5 LAKHS | 11.25% |
| INE0B2O07011 | 10.00% PRISMA GLOBAL LIMITED 2028 | 18-08-2028 | MONTHLY | A by ACUITE | MULTIPLE OF 5 LAKHS | 10.45% |
| INE342T07684 | 10.30% NAVI FINSERV 2028 | 31-05-2028 | MONTHLY | A+ by CARE | MULTIPLE OF 5 LAKHS | 9.90% |
| INE342T07718 | 10.30% NAVI FINSERV LTD 2028 | 31-03-2028 | MONTHLY | A+ by CARE | MULTIPLE OF 5 LAKHS | 9.90% |
| INE859C07279 | 9.00% IKF FINANCE LTD 2029 | 10% Every Quarter from 27-04-2027 to 27-07-2029 | QUARTERLY | AA- By INDIA RATING | MULTIPLE OF 5 LAKHS | 9.00% |
| INE148I07YJ0 | 9.05% SAMMAAN CAPITAL LTD. 2036 | 16-01-2036 | SEMI-ANNUAL | AA+ by CRISIL & ICRA | MULTIPLE OF 5 LAKHS | 9.00% |

**Above mentioned rates are tentative as on 7th Oct'26 & subject to change as per market conditions. Kindly check the availability of before closing the deal | Please refer to T&Cs | IP: Interest Payment*

# Thank You!

**Motilal Oswal Financial Services Limited (MOFSL)* Member of NSE, BSE, MCX, NCDEX CIN No.: L67190MH2005PLC153397**

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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.**