



What we said in 2025

We expect bullishness in government securities (IGBs) to continue in 2025 as growth will take precedence over inflation.



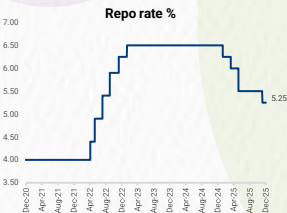
Our outlook for 2026

After a recent divergence between policy rates and bond yields in H2CY25, we expect bond yields to trend lower in 2026 amid supportive RBI, surplus liquidity and lower inflation.



RBI rate cycle in 2026

RBI has room for 1 rate cut. We expect RBI to use it judiciously.

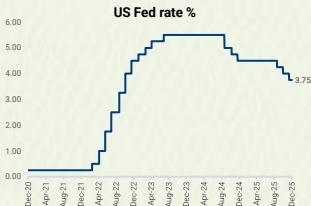


Source: Bloomberg. Data as on 30th December 2025



US Fed rate

FOMC is expected to cut rate for at least one time in 2026 despite strong economy and sticky inflation.



Source: Bloomberg. Upper Band considered. Data as on 30th December 2025



Key factors to watch out for in the bond market



Inflation

Headline inflation is expected to average 3.5% in 2026, may surprise on the lower side if monsoon is normal and crude oil prices remain below \$65 per barrel.



Yield Curve

Yield curve had turned steeper in 2025. We expect the yield curve to flatten in 2026.



Banking System Liquidity

Banking system liquidity is expected to remain in surplus for most of the year.



Credit Spreads

AAA credit spreads have widened at the short-end. We expect credit spreads to tighten in 2026.



Currency Outlook

The INR has depreciated sharply against the USD in 2025. We expect the INR to stabilize in 2026.



Commodities

We expect prices of gold, silver and other precious metals along with copper to remain firm amid higher demand and lower supply in 2026.



Opportunities of a potential India – US bilateral trade deal

An early and mutually-beneficial trade deal with the US will improve India's trade deficit and support the INR against the USD. This will be positive for the sentiment.



Where should debt investors look in 2026 – Credit or Duration?

With rate cut cycle nearing its end, we recommend investors to focus on accrual strategy as the main investment theme. There could be some sporadic opportunities for duration strategies in the first-half of 2026.



Key risks to look at

1. Oil prices
2. Monsoon
3. FPI outflows
4. Government debt / GDP ratio



Advice for investors in 2026

Consider 2- to 3-year AAA segment of the credit for better risk-adjusted returns in 2026

This document is for information purposes and private circulation only and is not an offer to sell or a solicitation to buy any mutual fund units / securities or to have business relations with Sponsor/ AMC/ Trustee Company and its associates or Edelweiss Mutual Fund. These views alone are not sufficient and should not be used for the development or implementation of an investment strategy. All opinions, figures and estimates included in this document (unless as specified in the document) are as of this date & sourced internally (unless specified) and are subject to change without notice. It should not be construed as investment advice to any party. Neither Sponsor/ AMC/ Trustee Company and its associates nor Edelweiss Mutual Fund or any person connected with it, accepts any liability arising from the use of this information. Utmost care has been exercised while preparing the document, and Sponsor/ AMC/ Trustee Company and its associates or Edelweiss Mutual Fund does not warrant the completeness or accuracy of the information and disclaims all liabilities, losses and damages arising out of the use of this information. The recipient of this material should rely on their investigations and take their own professional advice. Investment decisions of the AMC may not always be profitable.