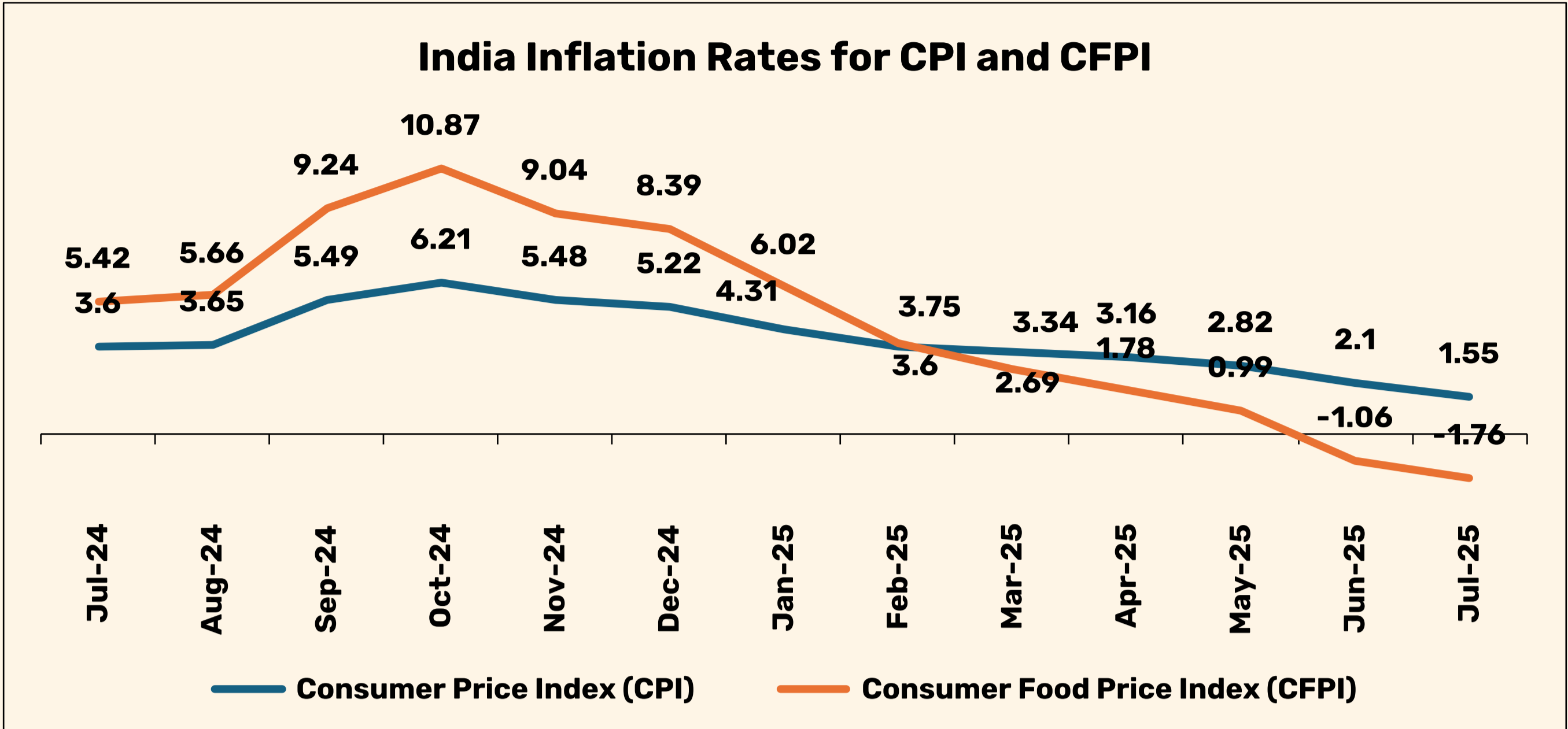




RETAIL INFLATION HITS 8-YEAR LOW: RATE CUT SCOPE & DEBT OUTLOOK



Data till 31st July 2025 as on 12th August 2025.



Retail inflation eased to an eight-year low to 1.55%, sliding below the 2-6% target band.



Rural inflation eased to 1.18% in July, down from 1.72% in the previous month, while urban inflation also, declined to 2.05% from 2.56%.



Inflation fell mainly due to a steep drop in food prices, especially vegetables along with broad-based easing in other essentials like pulses, cereals, and fruits.

Further Rate Cuts?

- On 6th August 2025, the RBI kept rates and stance unchanged, noting softer inflation forecasts but core inflation still above 4%.
- Growth remains resilient and liquidity is comfortable, reducing the need for immediate policy changes.
- That said, the bank’s cautious wait-and-watch approach preserves flexibility to act if growth weakens or external shocks emerge.

Way Ahead

- Benign inflation data, a favourable monsoon, and easing tariff uncertainties may shift policy priorities toward growth rather than inflation control in the coming months. Additional data points, along with the RBI’s statements and stance, may become increasingly important for the market in gauging the future direction. In that backdrop, investors may benefit from taking a balanced, data-driven approach to position themselves for potential opportunities.
- Gilt funds may be considered as part of a diversified portfolio, particularly due to their credit risk-free profile, with allocation levels potentially varying based on the prevailing interest rate environment.
- At the same time, high-quality Banking & PSU Funds could be relevant for long-term investors who are relatively more sensitive to duration risk.
- For 3–12 months, Money Market Funds provide liquidity and stability amid currency moves and evolving trade risks.

Source: RBI, Internal

Disclaimer
This document should not be treated as endorsement of the views/opinions or as an investment advice. This document should not be construed as a research report or a recommendation to buy or sell any security. This document alone is not sufficient and should not be used for the development or implementation of an investment strategy. The recipient should note and understand that the information provided above may not contain all the material aspects relevant for making an investment decision. The decision of the Investment Manager may not always be profitable; as such decisions are based on the prevailing market conditions and the understanding of the Investment Manager. Actual market movements may vary from the anticipated trends. Neither Bajaj Finserv Mutual Fund / Bajaj Finserv Mutual Fund Trustee Limited / Bajaj Finserv Asset Management Limited nor its Directors or employees shall be liable for any damages whether direct or indirect, incidental, punitive special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. Investors are advised to consult their own investment advisor before making any investment decision in light of their risk appetite, investment goals and horizon. This information is subject to change without any prior notice.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

BAJAJ FINSERV ASSET MANAGEMENT LIMITED