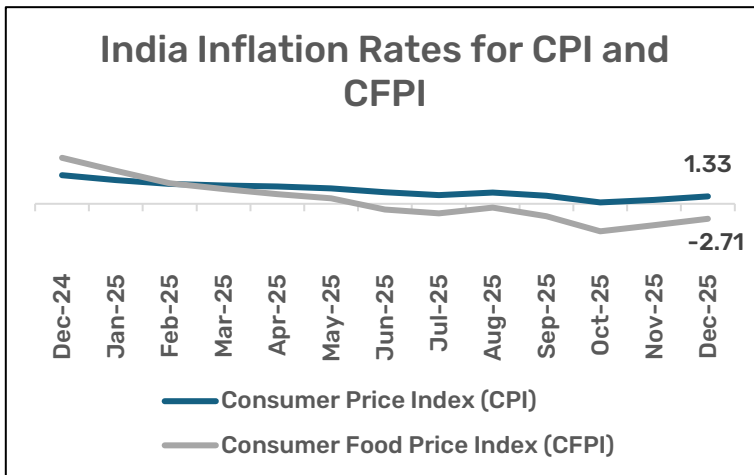


INFLATION WATCH

14th January 2026

KEY TRENDS AND TAKEAWAYS

Inflation Edges Higher While Staying Benign



Data pertaining to December 2025 as released on 12th January 2026.

HIGHLIGHTS

India's retail inflation inched up to 1.33% in December 2025 from a record low in the previous month.

Rural inflation saw a slight uptick to 0.76% from 0.10% in the previous month, while urban inflation also increased to 2.03% from 1.40%.

Food prices were the main driver, as the sharp fall in vegetable prices moderated compared to previous months.

Core inflation firmed up, reflecting persistent price pressures in non-food, non-fuel items such as services and precious metals.

WAY AHEAD

- The past year shows that while rate cuts and liquidity support help, bond markets are ultimately guided by fundamentals such as growth, inflation expectations and bond supply.
- With a constructive domestic macro backdrop, the RBI is likely to focus on smooth policy transmission and market stability through liquidity tools like Open Market Operations (OMOs).
- Going ahead, monetary policy is expected to remain tactical, aimed at maintaining orderly market conditions rather than targeting specific yield levels.
- As inflation normalizes, large duration gains look limited, shifting bond returns toward carry and roll-down strategies.
- Elevated bond and State Development Loans (SDL) supply may keep spreads attractive, creating selective entry opportunities as FY27 and the budget narrative come into focus.

Source: RBI, PIB, Internal Analysis.
Data as on 12th January 2026.