



# **BANKING** **MONTHLY**

MAY 2026

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## Prevailing Rates

### I. Policy Rates

Repo Rate	5.25%
Reverse Repo Rate	3.35%
Standing Deposit Facility Rate	5.00%
Marginal Standing Facility Rate	5.50%
Bank Rate	5.50%

### II. Lending/Deposit Rates

Base Rate	8.35% -9.90%
MCLR Rate (Overnight)	7.70% -7.95%
Savings Deposit Rate	2.50%
Term Deposit Rate > 1 Year	6.00% -6.60%

### III. Reserve Ratio

CRR	3.00%
SLR	18.00%

## Global Banking:

### **Japan's economy grows at annualized 2.1% rate in first quarter, beating expectations**

Japan's economy grew at an annualized 2.1% in the first quarter of 2026, surpassing analysts' expectations, on the back of improved consumption and strong exports. The growth was sharply higher compared with analysts' average estimate of 1.7%, and against the 1.3% in the previous quarter. These figures do not capture the full impact of the Iran war, which started at the end of February.

#### **Our Comments:**

The Bank of Japan has cut its growth forecast for the FY26 to 0.5% from 1%, and sharply raised its core inflation outlook to 2.8% from 1.9%. The bank warned that Japan's economic growth was likely to decelerate this year, as the increase in crude oil prices due to the Middle East crisis is expected to crimp corporate profits and real household incomes.

### **US economy faces inflation and yield surge amid Middle East crisis**

The resilience of the US economy faces a significant challenge as persistently high crude oil prices, driven by the ongoing Middle East crisis, are fueling inflation and pushing Treasury yields higher, according to an ICIS economic outlook report. The US 10-year and 30-year Treasury yields are rising sharply, with the 30-year yield surpassing 5% and reaching its highest level since 2007. This trend is mirrored globally, with long bond yields also climbing in Japan, Germany, and the UK.

#### **Our Comments:**

The primary driver is expectations of higher inflation from elevated crude oil prices, combined with a lack of fiscal restraint. Major governments are increasing spending, particularly on defense and infrastructure.

### **Japan keeps view economy recovering but warns risk from Middle East**

Japan's government retained its assessment in May that the economy was recovering moderately, while warning that tensions in the Middle East and fluctuations in financial markets remain key risks to the outlook. On prices, consumer prices continued to be described as rising moderately.

#### **Our Comments:**

On the outlook, the government kept its view that improvements in employment and income conditions, along with the effects of various policies, are expected to support a gradual recovery. The authorities will continue monitoring the impact of the Middle East situation, financial and capital market volatility.

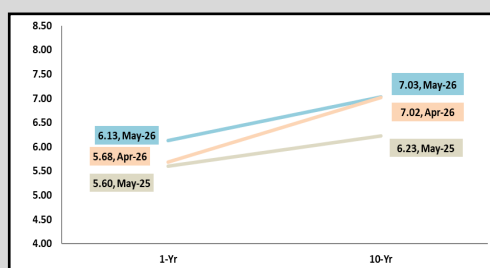
### **India, US strike critical minerals deal amid China concerns**

India and US firmed up a key framework for cooperation in ensuring steady supplies of critical minerals, a move that comes amid growing concerns over China's export controls on rare earth elements and strategic metals vital for global technology supply chains. This framework aims to deepen cooperation across the entire critical minerals and rare earth supply chain, including mining, processing, recycling and related investment. The External Affairs Minister said the framework will strengthen resilient and diversified supply chains, help financing of projects as well as ensure effective management of critical minerals & rare earths.

#### **Our Comments:**

US Secretary of State Marco Rubio quoted, "Today, because we both have a strategic and shared interest in the fact that vibrant innovation economies such as ours cannot afford to leave the foundational materials of these industries vulnerable to single source monopoly that could deny us these things, not just in a time of conflict, but as a leverage point contrary to our sovereign national interests." I'm glad we were able to sign this because in addition to being an important document and important agreement, it brings a tangible example of the strategic partnership between the US and India.

**Exhibit 1: 1 Year Yield v/s 10 Year Yield**



Source: Investing.com, Progressive Research

### **Indian Economy:**

#### **WPI inflation rises to 8.3% as global oil prices spike**

India's inflation rate based on the wholesale price index (WPI) increased to 8.3% during April 2026, compared with the same month of the previous year. WPI inflation for April 2026 was higher than the corresponding figure of 3.88% recorded for March 2026. Notably, WPI food inflation remained constant at 1.85% in March 2026 compared to the same month of the previous year.

#### **Our Comments:**

This was majorly due to the increase in prices of fuels and crude oil amid the West Asia conflict. The government said that the sharp rise in inflation came mainly due to a steep rise in fuel, petroleum and manufacturing-related prices. Positive rate of inflation in April, 2026 is primarily due to increase in prices of mineral oils, crude petroleum & natural gas, basic metals, other manufacturing and non-food articles etc.

#### **Indian banking system robust despite West Asia crisis, falling forex reserves: Experts**

Amid the turbulent times following the West Asia escalations, financial leaders have expressed strong confidence in the resilience of the Indian economy and its banking architecture. They dismissed immediate panic over dipping foreign exchange reserves and raging geopolitical tensions. Addressing the notable drop of around Rs2.5lk-cr in the RBI foreign exchange reserves alongside volatile FII and FDI outflows, the experts termed these pressures temporary.

#### **Our Comments:**

India's fiscal and current account deficits remain tightly managed, enabling domestic banking to comfortably absorb local credit growth. Despite shipping delays and port congestion tied to the West Asian crisis, the speakers maintained that the system has successfully absorbed the shock.

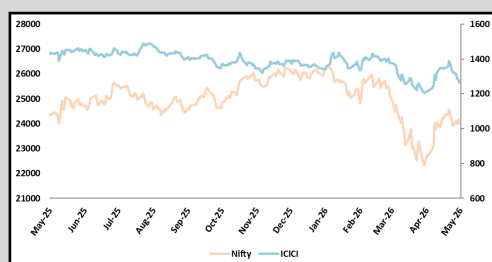
#### **Indian economy shows 'cautious resilience' amid inflation and monsoon risks: FinMin report**

The near-term outlook for Indian economy is one of 'cautious resilience', and navigating FY27 will require agility across monetary, fiscal and structural dimensions to safeguard growth momentum and keep inflation durably anchored, the Finance Ministry said in its Monthly Economic Review report for May. Strong services exports, adequate foreign exchange reserves and a stable labour market provide a firm foundation (to the economy). However, the confluence of elevated global energy prices, a depreciating rupee, rising upstream cost pressures and the prospect of a below-normal monsoon calls for sustained policy vigilance. The report says that the West Asia conflict has led to elevated energy, transportation and logistics costs, which have revived inflationary pressures and renewed stagflation concerns across major economies.

#### **Our Comments:**

The report added that the inflation outlook warrants vigilance. The current divergence between retail inflation and wholesale prices signals that upstream cost pressures are building, and the pass-through to consumers, while limited so far, may not be far behind.

**Exhibit 2: ICICI v/s Nifty**



Source: Ace Equity, Progressive Research

**Coverage News:**

**RBI clears ICICI Bank CEO Sandeep Bakhshi for new two-year term**

ICICI Bank Limited reports that the RBI has approved the re-appointment of Mr. Sandeep Bakhshi as Managing Director & CEO for a further two-year term starting on 04th Oct'26. His new term will run until 03rd Oct'28. The re-appointment had previously received unanimous approval from the Bank's Board, and it remains subject to shareholder approval and any other required approvals, which the Bank plans to seek in due course.

**Non Coverage News:**

**Axis bank to add 500 branches in FY27, targeting semi-urban and rural markets**

Axis Bank plans to open around 500 new branches in FY27 after adding 400 branches in FY26, taking its network beyond the current 6,275 branches across the country. Around 40% of the new branches will be opened in metro cities, while nearly 60% will focus on semi-urban and rural markets, reflecting the bank's strategy to deepen penetration beyond urban centres.

**Our Comments:**

The bank aims to expand presence to over 700 districts by end of FY27, with key focus on senior citizens and NRIs as stable deposit-generating customer segments. Management also highlighted increasing emphasis on phygital banking through digitally enabled branches and continued investments in technology and artificial intelligence, with nearly 9-10% of operating expenses allocated toward tech-led transformation initiatives.

**Union Bank board approves Rs8,000cr fund raise via equity and debt**

Union Bank's board approved plans to raise up to Rs8,000cr through equity and debt instruments, as the lender looks to strengthen capital buffers despite pressure on core income growth. The lender said it may raise upto Rs3,000cr through equity issuance in one or more tranches via further public offer, rights issue, QIP, preferential allotment or other approved routes, subject to regulatory and shareholder approvals. In addition, the board approved raising upto Rs5,000cr through Basel III-compliant. Additional Tier-I and Tier-II bonds, including foreign currency-denominated instruments.

**Our Comments:**

The capital raise is expected to provide the bank with additional financial flexibility amid evolving regulatory requirements and credit growth opportunities.

**Govt to sell additional 4% stake in Central Bank of India**

The Government of India has decided to exercise the oversubscription option in the ongoing OFS of Central Bank of India, raising the total issue size from 4% to 8% of the bank's equity capital amid strong investor interest. The issue was subscribed 2.36x receiving share bids of 76.86 crore at a price of Rs31.22 per share versus the floor price of Rs31 per share. Currently, the government holds 89.27% stake in the bank.

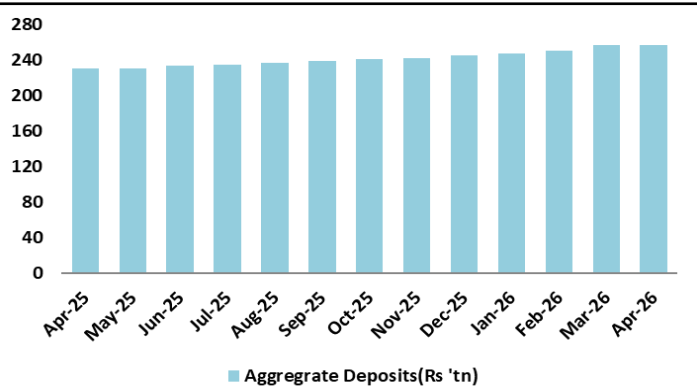
**Our Comments:**

Investor demand was strong, leading to an increase in the stake sale from 4% to 8%. This move aims to boost the bank's stock liquidity and meet public shareholding rules.

**Non Coverage Results:**

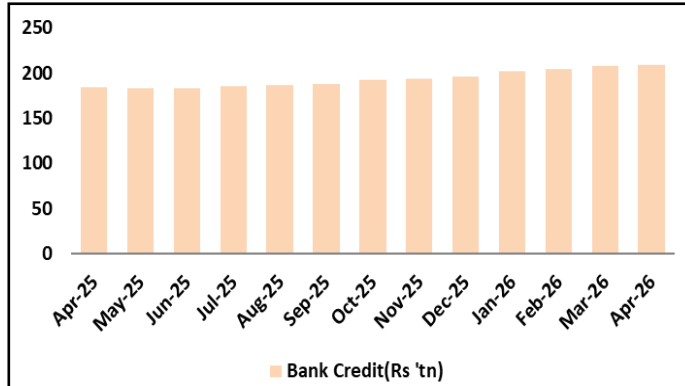
Banks	Results Synopsis (Q4FY26-Consolidated)
Canara Bank	NII de-grew by 1.26% to Rs98.14bn Net Profit stood at Rs45.74bn Gross NPA: 1.84%; Net NPA: 0.43%; CAR: 17.04%
SBI	NII grew by 4.13% to Rs443.8bn Net Profit stood at Rs196.84bn Gross NPA: 1.49%; Net NPA: 0.39%; CAR: 15.40% (standalone figures)
South Indian Bank	NII grew by 5.41% to Rs9.15bn Net Profit stood at Rs4.07bn Gross NPA: 1.43%; Net NPA: 0.29%; CAR: 19.6% (standalone figures)

**Exhibit 03: Trend of Aggregate Deposits of SCBs**



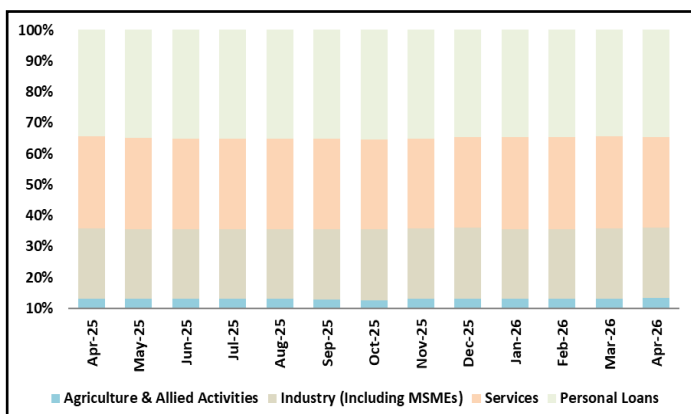
Source: Investing.com, Progressive Research

**Exhibit 04: Trend of Bank Credit of SCBs**



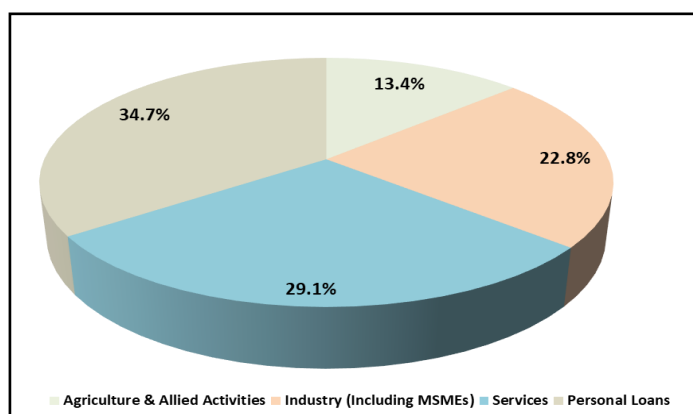
Source: RBI, Progressive Research

**Exhibit 05: Deployment of Gross Bank Credit by major sectors**



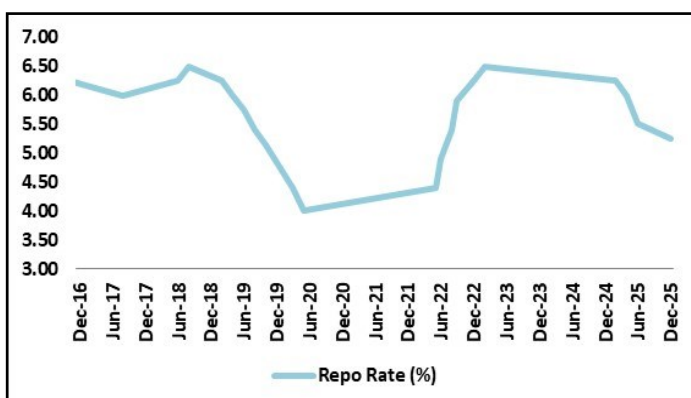
Source: RBI, Progressive Research

**Exhibit 06: Sectoral breakup of Gross Bank Credit of the major sectors in April**



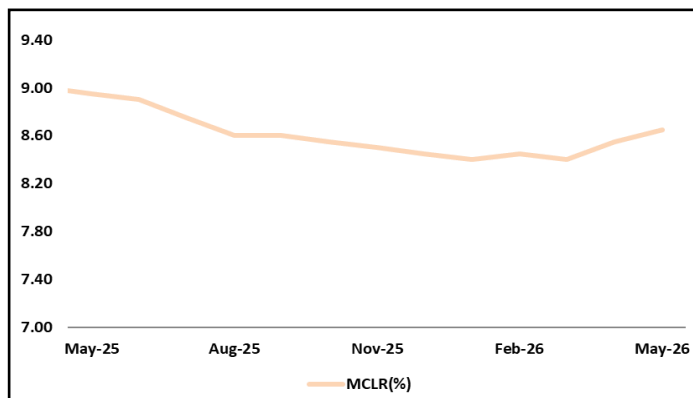
Source: RBI, Progressive Research

**Exhibit 07: Repo Rate Trend**



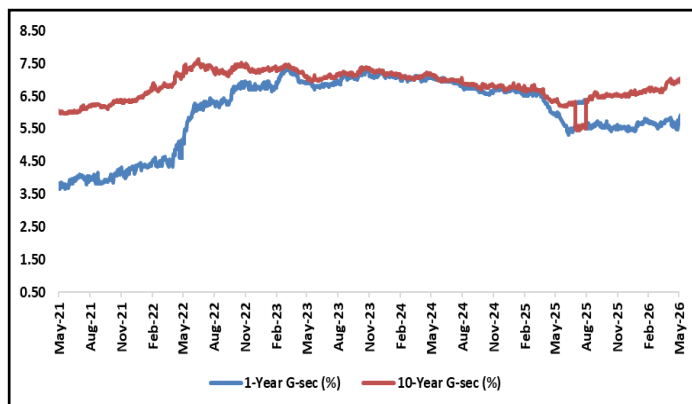
Source: NSE, Progressive Research

**Exhibit 08: MCLR trend in the last 3 years**



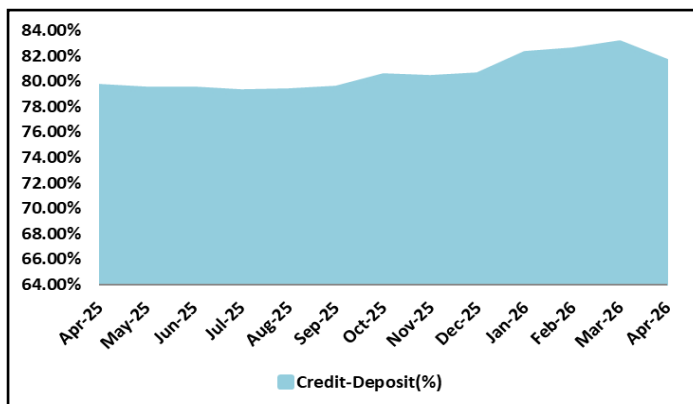
Source: Ace Equity, Progressive Research

**Exhibit 09: RBI trying to keep the gap between short and long term bond in check**



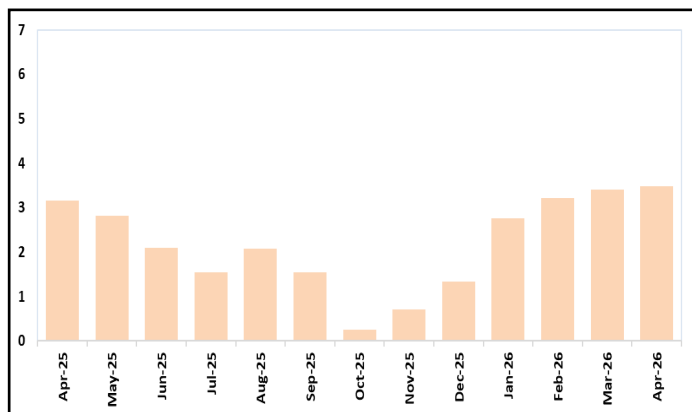
Source: Investing.com, Progressive Research

**Exhibit 10: Credit-Deposit ratio of the SCBs in Apr-26**



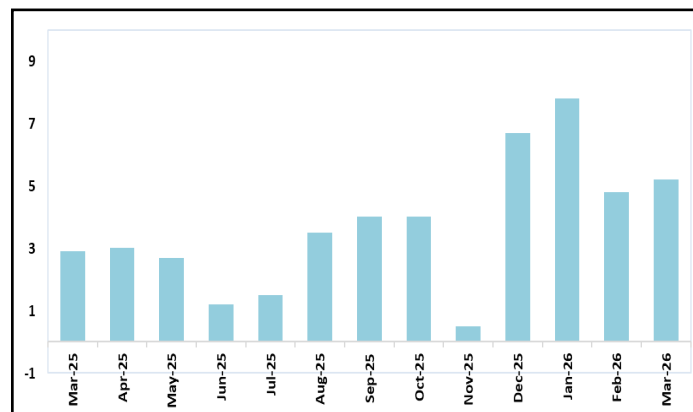
Source: RBI, Progressive Research

**Exhibit 11: Retail Inflation Range Bound**



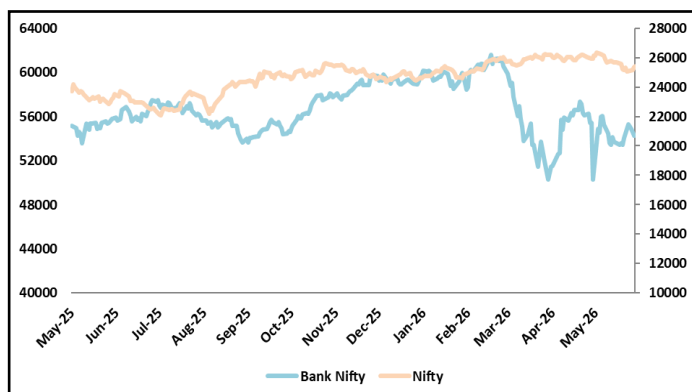
Source: RBI, Progressive Research

**Exhibit 12: Change in Y-o-Y IIP data**



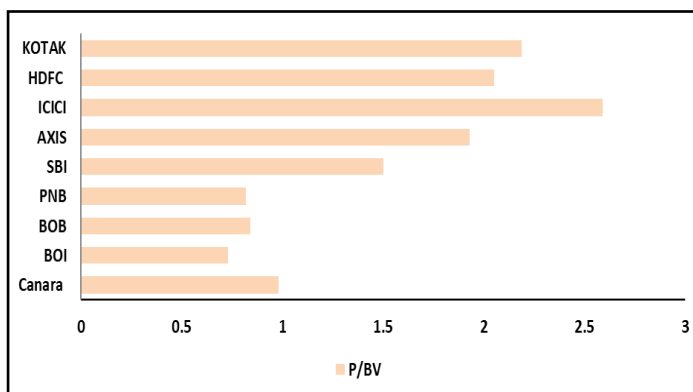
Source: RBI, Progressive Research

**Exhibit 13: Bank Index v/s Nifty Index**



Source: NSE, Progressive Research

**Exhibit 14: Major Banks' Valuation as on 29th May, 2026**



Source: Ace Equity, Progressive Research

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