



BANKING **MONTHLY**

JUNE 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)	7.80% -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:

Unusually large upward revision in third estimate of US Q1-2026 real GDP growth

Q1-GDP growth was unexpectedly revised up to 2.1% q/q saar in the third estimate, up from 1.6% in the second estimate and inching past the 2.0% advance estimate. The major factor behind the upward revision was a large downward revision to import growth to 11.8% from 21.1% in the second estimate. The downward revision in imports was accompanied by a much smaller downward revision in export growth (10.9% versus 13.1%), leading to a meaningful downward revision to the trade deficit. Accordingly, net exports subtracted 0.4% point from overall GDP growth in Q1, down markedly from -1.3% point in both the second and advance estimates. The BEA stated that the downward revision to imports was widely spread-in goods (led by imports of consumer goods ex food and autos) and services (led by international travel).

Our Comments:

A meaningful downward revision to imports was the primary factor behind the upward revision, leading to a much smaller subtraction from net exports.

Japan's economy cools on weak capex in Q1, revised data shows

Japan's economy lost momentum in the January-March quarter from the previous three months on sluggish capital expenditure, revised gross domestic product data showed, pointing to challenges ahead due to the Middle East conflict. However, economists said the broader economy would likely remain resilient in coming months with the fallout from the Iran war not expected to seriously hurt private consumption or corporate investment. The Bank of Japan is still expected to maintain its plan to continue raising interest rates.

Our Comments:

There will almost certainly be continued downward pressure. But from the BOJ's standpoint, the bigger concern is the risk of prices overshooting. January-March GDP data show Japan's economy was still resilient before tensions in the Middle East escalated. Given incoming data for the April-June quarter, as well as government actions and economic policy, the economy is likely to remain firm. That suggests the BOJ may have to tilt more toward rate hikes.

China industrial profits stay resilient as economy leans on factories, exports

Profits at China's industrial firms grew more slowly though still at a double-digit pace in May, highlighting a widening divide in an economy leaning on factory output and overseas shipments to counter soft domestic demand. Economic growth remains fragile, hobbled by a prolonged property downturn and deep structural imbalances that continue to weigh on domestic activity.

Our Comments:

Analysts expect Chinese policymakers to step up targeted support to stabilize corporate profitability, particularly as consolidation accelerates in sectors grappling with overcapacity and cut-throat competition.

IMF says India remains a key driver of global economic growth

The IMF said that India continues to be a major driver of global economic growth despite the economic impact of the Iran conflict and higher energy prices. The IMF has retained its growth projection for India at 6.5% for FY27, maintaining the upward revision made in April. The forecast reflects strong momentum carried over from last year and the reduction in US tariff rates, which helped cushion the impact of the global energy shock.

Our Comments:

India's economy continued to outperform expectations during the first quarter of the calendar year.

Indian Economy:

Monetary Policy-June 2026

RBI's Monetary Policy Committee (MPC) met from 03rd -05th June, 2026 to announce the second bi-monthly policy of FY27 amidst the geopolitical tensions and weakening rupee alongwith tackling issues of inflation, interest rates and economic growth. The committee unanimously decided to keep the repo rate unchanged at 5.25%, and has maintained the Neutral stance.

RBI keeps repo rate unchanged at 5.25% and maintained the stance at Neutral; reverse repo rate remains unchanged at 3.35%.

Highlights of Monetary Policy:

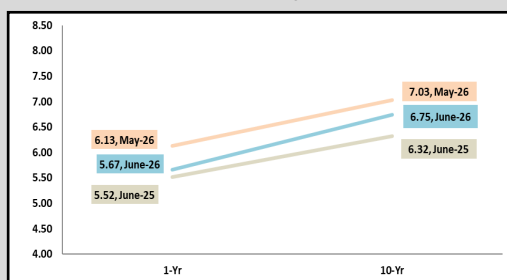
- **Repo Rate:** 5.25% (5.25% in April 2026)
- **Reverse Repo Rate:** 3.35% (3.35% in April 2026)
- **Standing Deposit Facility:** stands unchanged at 5.0%
- **Bank Rate:** 5.50% (5.50% in April 2026)
- **MSF:** 5.50% (5.50% in April 2026)
- **GDP Projection:** Real GDP growth for FY27 is lowered at 6.6% as against 6.9%. Q1FY27 at 6.6%, Q2FY27 at 6.3%, Q3FY27 at 6.5% and Q4FY27 at 6.8%
- **CPI Inflation:** CPI forecast for FY27 is raised to 5.1% as against 4.6%. Q1FY27 at 4.2%, Q2FY27 at 5.1%, Q3FY27 at 5.9% and Q4FY27 at 5.4%

Our View:

The MPC has unanimously voted to keep the benchmark repo rate unchanged at 5.25% and maintained a Neutral stance; which is largely in-line with the market expectations. The cautious move was widely expected amid the Iran war-related energy supply disruptions and the falling rupee. All of the measures like the tax relief for foreign investors, well cover the need to help currency and help capital flows; decisive measures in the right direction. The Governor has indicated that while inflation is expected to rise, underlying inflation pressures remain benign. Inflation projections for the year have been increased to 5.1% from 4.6% earlier. The outlook also remains clouded by the subnormal south-west monsoon forecast and El Niño risks. The growth projections for FY27 have also been lowered to 6.6% from the earlier 6.9%. Overall, sustained momentum in services, continuing impact of GST rationalization, and broadly stable employment conditions should continue to support the urban consumption, even though rising inflation could be a drag on the purchasing power of households. The Governor concluded with assurance to preserve the market conditions. To conclude, although the global economic conditions and sentiments continue to be frayed without any meaningful resolution to the West Asia conflict, these have adversely impacted the domestic growth inflation outlook; but so far, the economy holds relatively strong with a cautious outlook.

FINAL VERDICT			
MPC Meetings	REPO	REVERSE	CURRENT STANCE
June 2026	5.25%	3.35%	Retained the Neutral Stance
April 2026	5.25%	3.35%	

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



Source: Investing.com, Progressive Research

Indian Economy:

India's FY26 GDP growth hits 7.7%, beats expectations

India's economy grew 7.7% in real terms during FY26, while growth in the January-March quarter stood at 7.8%, according to provisional estimates released by the Ministry of Statistics and Programme Implementation (MoSPI). Real GDP, measured at constant 2022-23 prices, was estimated at Rs323.12lk-cr in FY26, up from Rs299.89lk-cr in FY25. The growth rate improved from 7.1% recorded in the previous fiscal year. Nominal GDP, at current prices, was estimated at Rs346.36lk-cr, registering an 8.9% increase over FY25. Gross Value Added (GVA), which reflects economic activity across sectors, rose 7.9% in real terms during FY26, compared with 7.3% growth in FY25. Nominal GVA increased 9.1% to Rs314.87lk-cr.

Our Comments:

The provisional estimates incorporate economic data available upto Q4FY26 and revise earlier advance estimates that were based on information available through the third quarter of the fiscal year.

Indian banks look to foreign funding to tap RBI's new capital inflow push

Some Indian lenders have asked the Central Bank if they can help individuals access loans from overseas banks to bring in more capital under a new plan, potentially amplifying inflows into the country. The lenders sought clarity from the RBI if they can use a portion of deposits collected from NRIs as collateral. Based on that collateral, fresh loans would be given to such depositors from foreign banks, enabling them to park more money under the Central Bank's latest incentive plan.

Our Comments:

A clarification from the RBI could potentially open the door for more capital flows into the country after economists estimated that the so-called foreign-currency non-resident (bank) deposits program could draw about USD50bn. A similar process, known as 'marking lien', was permitted by the RBI in 2013, and banks are also able to tap overseas leverage using a so-called letter of credit arrangement.

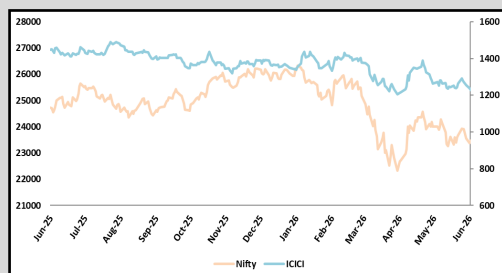
IIP growth quickens to five-month high of 5.1% on cross-sector improvements

Growth in industrial activity quickened to a five-month high of 5.1% in May 2026, buoyed by stronger performances by the manufacturing, electricity, capital goods, and consumer goods sectors. The manufacturing sector grew 5.5% in May 2026, down from 6.1% in April but faster than the 4.2% growth registered in May last year. The Ministry of Statistics also adopted the Output Producer Price Index as the deflator for the revised IIP series, replacing the WPI.

Our Comments:

Even after a major methodological upgrade, India's industrial economy has been remarkably resilient to both data revisions and geopolitical shocks.

Exhibit 2: ICICI v/s Nifty



Source: Ace Equity, Progressive Research

Coverage News:

RBI approves ICICI Bank to acquire up to 2% more stake in ICICI Life

ICICI Bank has received approval from the RBI to purchase an additional stake of upto 2% in its subsidiary, ICICI Prudential Life Insurance Company Ltd. This move is intended to ensure the bank maintains its shareholding in the insurance entity above the 50% threshold. The bank had initially disclosed its intention to acquire the additional shares on 28th Feb'26. The regulatory nod now paves the way for ICICI Bank to proceed with increasing its ownership in ICICI Prudential Life Insurance. The transaction is part of the bank's strategy to retain a majority stake in its insurance arm.

Non Coverage News:

SBI transfers Rs8,813cr dividend to government after record FY26 profit

SBI presented a dividend cheque of Rs8,813cr for FY26 to Union Finance Minister Nirmala Sitharaman, reflecting the public sector lender's strong financial performance during the year. The payout comes after SBI reported robust earnings and business growth for FY26. Earlier, the bank's Central Board declared a dividend of Rs17.35 per equity share for FY26.

Our Comments:

The GOI is SBI's largest shareholder, holding around 55% stake in the bank. The dividend payout to the government comes amid strong profitability, business growth and improved asset quality during FY26.

External review clears HDFC Bank of ex-Chairman's concerns

HDFC Bank said an independent legal review conducted by two external law firms found no evidence to substantiate concerns raised by former chairman Atanu Chakraborty in his resignation letter or subsequent public statements. The bank said the review, examined whether any concerns flagged by Mr. Chakraborty were evident from the records, whether he had recorded any dissent during his tenure, and whether such dissent, if any, had been addressed. Mr. Chakraborty resigned as Chairman of the country's second biggest lender, HDFC Bank, citing ethical concerns.

Our Comments:

The 3month review found no evidence from board committee minutes or witness interviews that Chakraborty raised concerns that "happenings and practices" at the bank were not aligned with his personal "values and ethics".

Yes Bank to raise up to USD1.7bn via equity, debt issue

Yes Bank will raise up to Rs160bn (USD1.7bn) via a mix of equity and debt issue. The bank's Board approved an equity issuance of up to Rs75bn and a debt issuance of up to Rs85bn. The fundraising instruments are not disclosed. The lender's capital adequacy ratio stood at 15.3% at the end of March, compared with 15.6% a year earlier. The regulatory minimum is 9%.

Our Comments:

The bank said the fundraising would not result in more than 10% dilution of existing shareholders' stake.

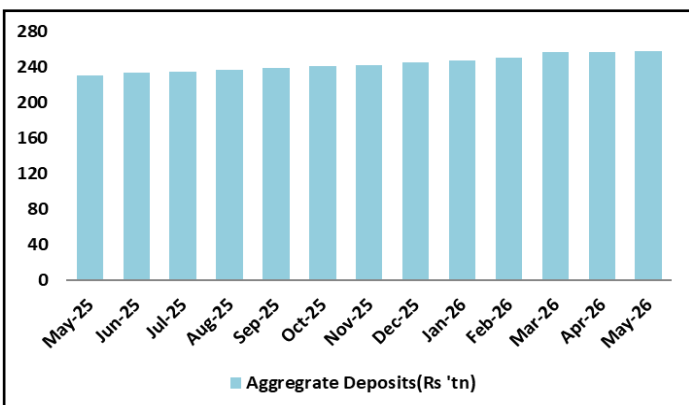
SBI raises USD300mn via 3-year bond after RBI's ECB push

SBI has raised USD300mn by issuing three-year senior unsecured floating-rate notes through its London branch, becoming one of the first large state-owned lenders to tap overseas debt markets after the RBI announced measures to make ECBs more attractive.

Our Comments:

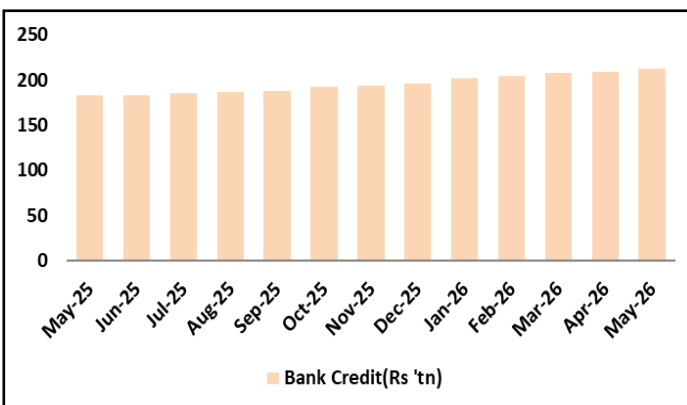
The bonds have been issued under Regulation-S and will be issued through SBI's London branch on 6th July. The latest issuance also fits into SBI's broader capital raising strategy for the current financial year.

Exhibit 03: Trend of Aggregate Deposits of SCBs



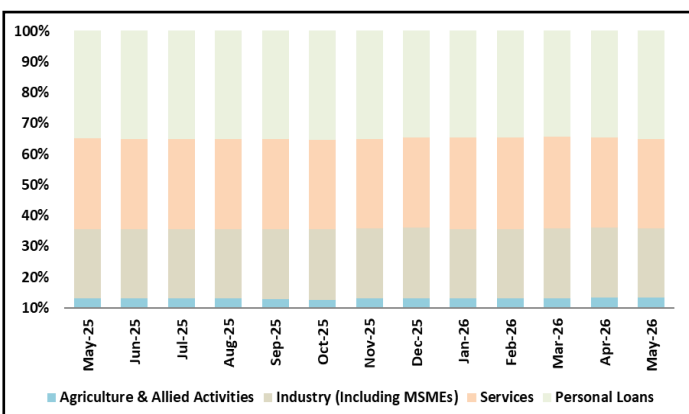
Source: Investing.com, Progressive Research

Exhibit 04: Trend of Bank Credit of SCBs



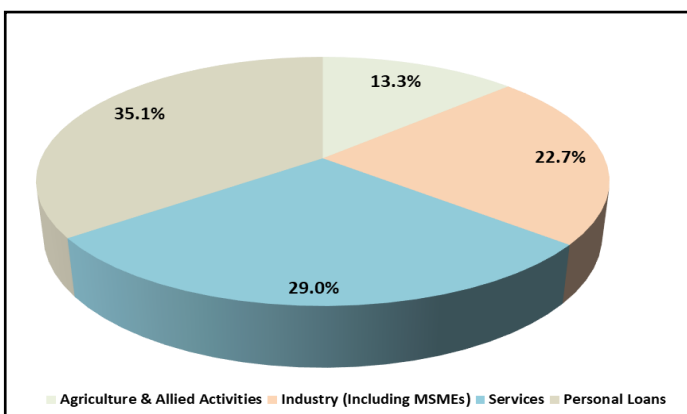
Source: RBI, Progressive Research

Exhibit 05: Deployment of Gross Bank Credit by major sectors



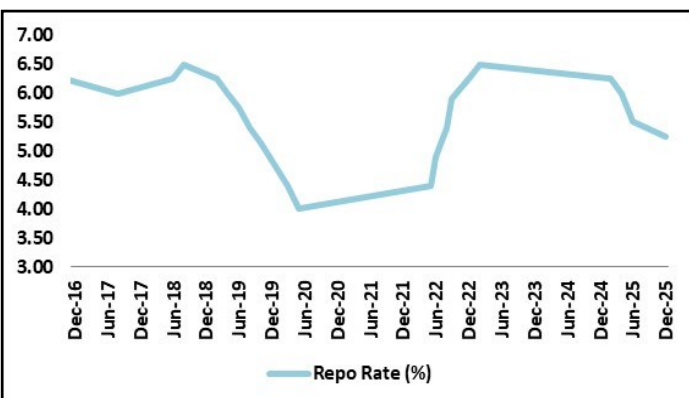
Source: RBI, Progressive Research

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



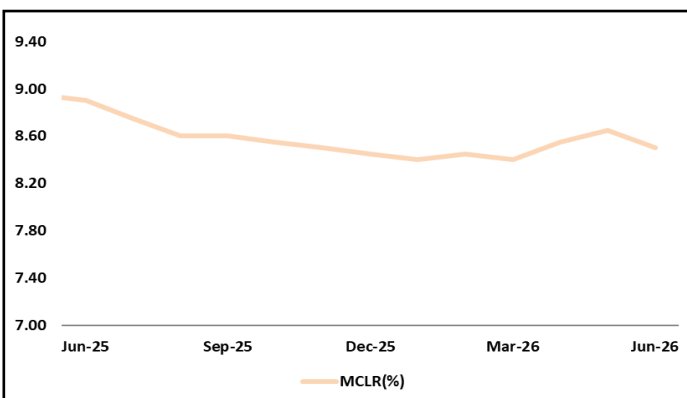
Source: RBI, Progressive Research

Exhibit 07: Repo Rate Trend



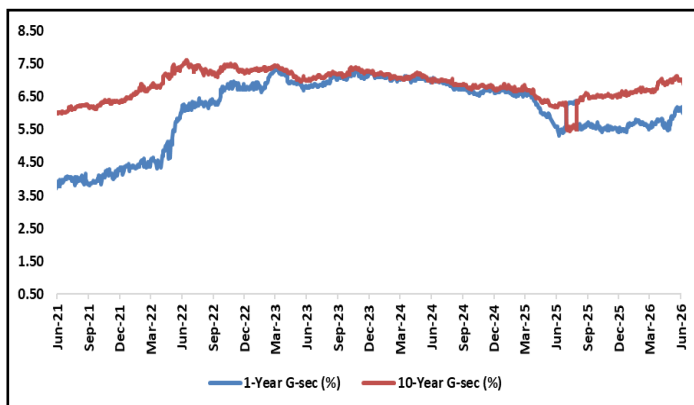
Source: NSE, Progressive Research

Exhibit 08: MCLR trend in the last 3 years



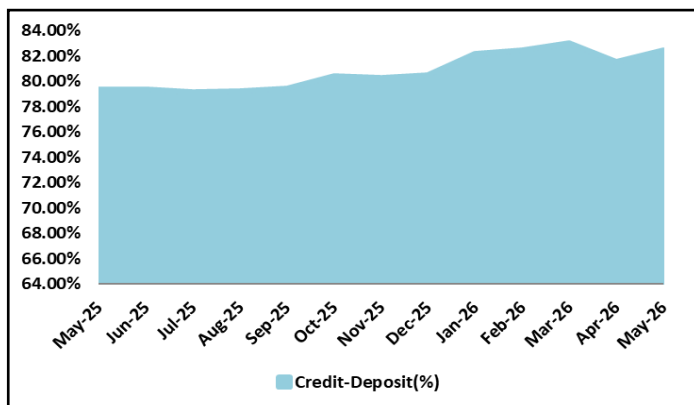
Source: Ace Equity, Progressive Research

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



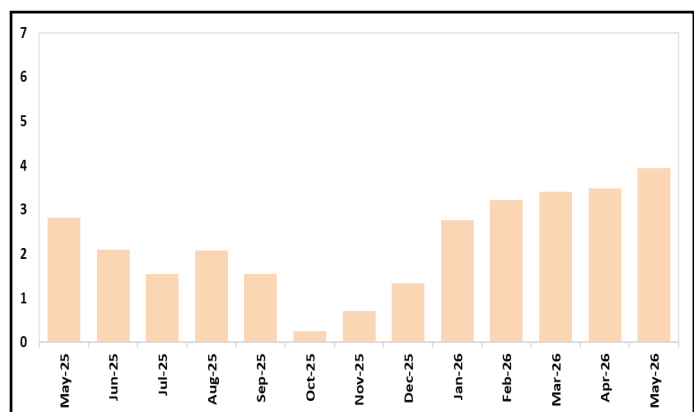
Source: Investing.com, Progressive Research

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



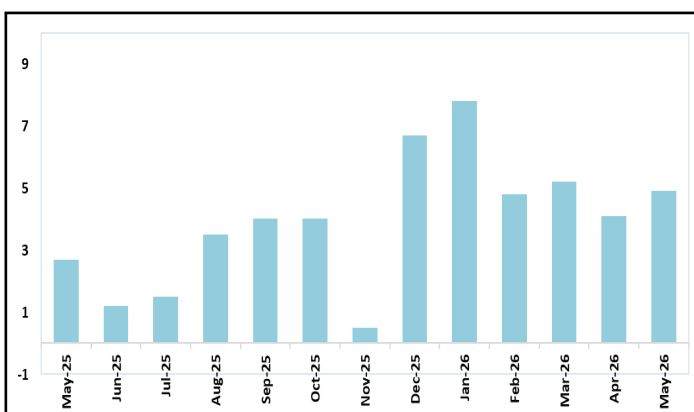
Source: RBI, Progressive Research

Exhibit 11: Retail Inflation Range Bound



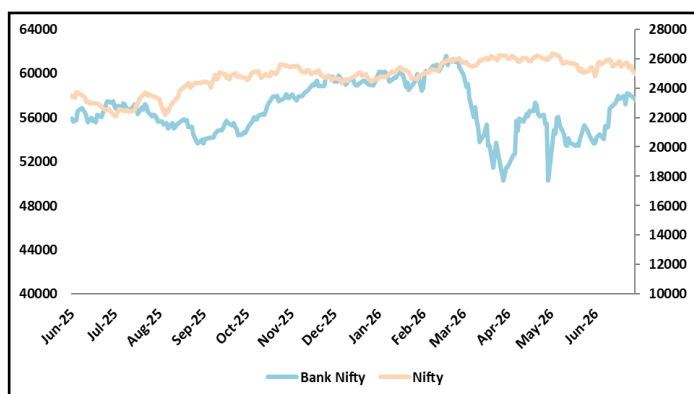
Source: RBI, Progressive Research

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



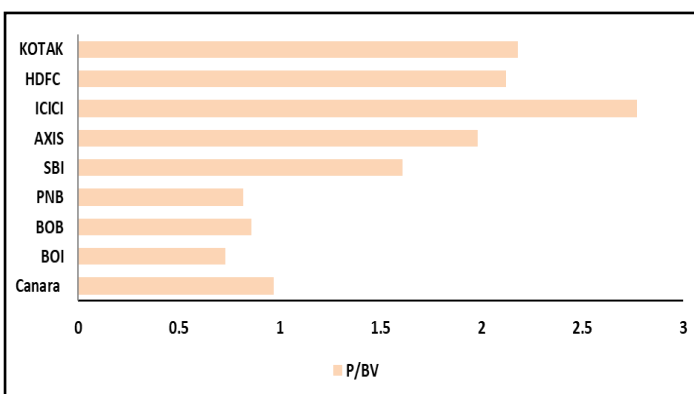
Source: RBI, Progressive Research

Exhibit 13: Bank Index v/s Nifty Index



Source: NSE, Progressive Research

Exhibit 14: Major Banks' Valuation as on 30th June, 2026



Source: Ace Equity, Progressive Research

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