VARDAN

Monthly Newsletter
June 2026

Global Economy

- The Fed kept the federal funds rate unchanged at 3.50%–3.75% for the fourth consecutive meeting in June. Policymakers signaled concern over PCE inflation, which stood at 4.10% in May, remaining above the 2.00% target.
- Bank of Japan lifted its key short-term rate by 25 bps to 1.00% at its June meeting, marking the highest level in thirty-one years.
- The Bank of England held its Bank Rate steady at 3.75% in June 2026. While headline CPI inflation eased to 2.80% in May 2026, it remains above the 2.00% target.
- The European Central Bank raised its key interest rates by 25 basis points on June 11, lifting the deposit rate to 2.25%. This was the first increase since 2023, as euro area inflation stood at 2.90% in May, above the 2.00% target. Policymakers cited persistent energy-driven price pressures and reaffirmed their commitment to anchoring inflation expectations.

Indian Economy

- India's economic growth forecast for FY 27 has been raised to 6.60% by the World Bank from 6.50% earlier. This positive outlook is driven by reduced US tariffs and anticipated benefits from new free trade agreements.
- India's retail inflation rose to 3.93% in May from 3.48% in April 2026, driven by food and fuel. Core inflation stayed near 3.10%, showing underlying pressures remain moderate, while wholesale inflation eased to 2.70%.
- India and Japan signed a Memorandum of Cooperation (MoC) with an investment of USD 10.00 billion in AI, semiconductors, clean energy, and economic security.
- The government has lifted temporary fuel sale restrictions from 1 July 2026, allowing bulk buyers to resume normal purchases as fuel supplies have stabilized.
- The government approved a one-time INR 10,000 crore Price Stabilization Fund to provide interest-free loans to oil marketing companies, aimed at stabilizing jet fuel prices and shielding airlines from West Asia crisis shocks.

Indian Debt Market

- India's forex reserves fell by USD 5.65 billion to USD 666.93 billion in the week that ended on 26 June.
- RBI Governor Sanjay Malhotra cautioned against the generalisation of inflation while voting for status quo. The MPC kept the repo rate unchanged at 5.25% in June 2026, maintaining a neutral stance amid global uncertainties.
- India's fiscal deficit widened to INR 1.62 trillion in April–May FY 2027, equal to 9.60% of the annual target of INR 16.96 trillion. FY 2026 closed at 4.40% of GDP, meeting the government's estimate. The widening reflects front-loaded spending and muted tax receipts, partly offset by RBI's record dividend transfer.
- Foreign investors bought a record INR 53,363 crore in Indian debt securities in June 2026, offsetting equity outflows. The surge was driven by tax exemptions on eligible foreign bond investments and expanded access to longer-dated government securities.
- India's secondary debt market strengthened in June, with about INR 5.50 lakh crore traded across corporate bonds, CDs and commercial paper. CD yields eased by around 60 basis points to near 7.00% as liquidity improved, indicating a more stable short-term market environment.

Indian Startups

- In June 2026, 63 Indian start-ups raised total funding of around USD 1,474.30 million, of which 2 companies raised USD 18.20 million through debt funding. This marked a 189% increase in fund-raising compared to May 2026.
- Fintech, Clean Tech, and Deep Tech were the major segments, securing USD 910 million, USD 77 million, and USD 65 million respectively. Notably, USD 900 million in the Fintech segment was raised by a single company, CRED.

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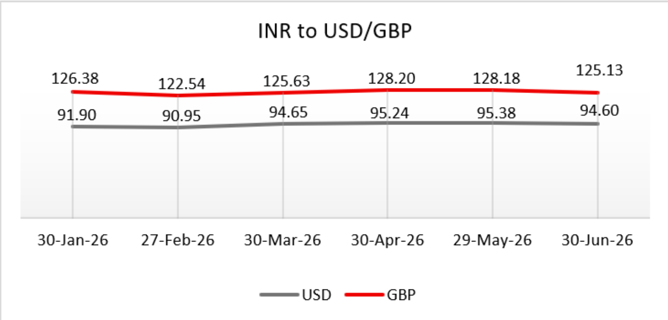
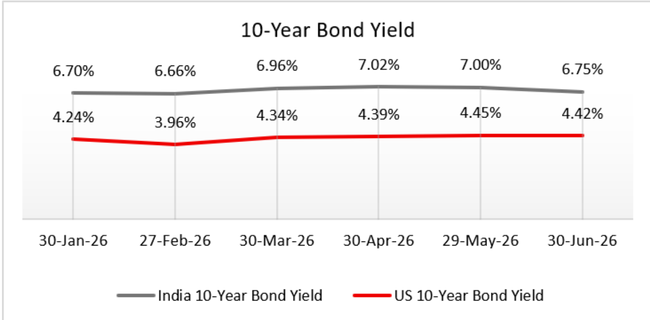
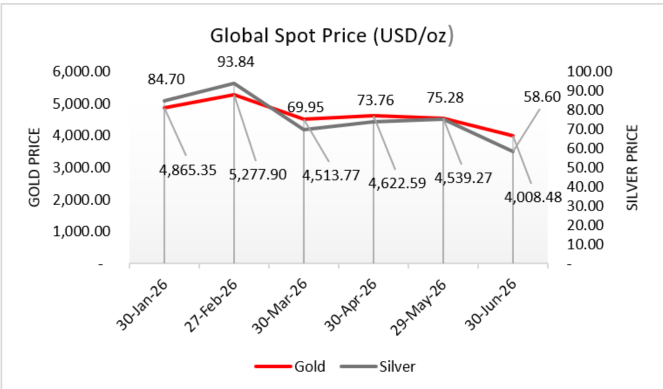
The last six months' trends in gold, silver, crude oil, bond yields, and exchange rates highlight evolving macroeconomic expectations and shifts in global risk sentiment. The charts below summarize these key trends.



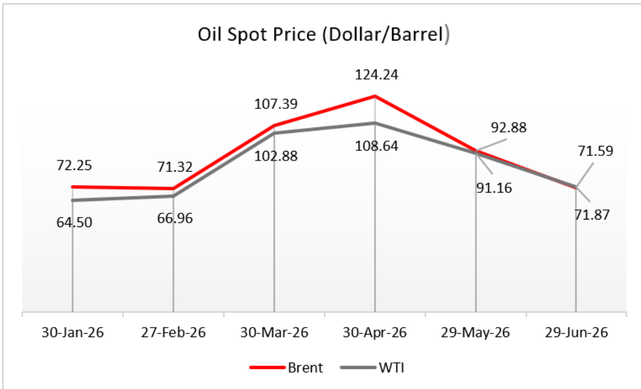
The rupee has recovered steadily over the past three months, rebounding from its May low of 96.96 to close June stronger at 94.60 per USD and 125.13 per GBP.



India's 10-year yield eased from 7.00% to 6.75% in June as cooling inflation, strong foreign inflows, and RBI support lowered borrowing costs, while US yields stayed near 4.4%.



Gold and silver have corrected sharply over the past six months, with Gold sliding from February highs above $5,277.90/oz to $4,008.48/oz and Silver dropping from $93.84/oz to $58.60/oz by end-June.



Oil prices corrected sharply over the past three months, with Brent sliding from April highs of $124.24 to $71.59 and WTI dropping from $108.64 to $71.87 by end-June, reflecting easing geopolitical tensions and improved supply outlook.

Recent geopolitical developments have reinforced how quickly market sentiment can shift amid evolving trade dynamics and policy uncertainty.

While short-term volatility may persist, such phases often create selective opportunities for disciplined capital allocation.

In this environment, we are identifying attractive debt investment opportunities where elevated yields provide strong downside protection and steady income. Our strategy remains focused on resilience, quality, and long-term compounding.