

MONTHLY MAGAZINE

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Federal Reserve — Major policy shift.

The Federal Open Market Committee approved the following statement for release by a 12 – 0 vote:

The Committee decided to raise the target range for the federal funds rate by 1/4 percentage point to 3-3/4 to 4 percent, in support of the Federal Reserve's dual mandate. The Committee is continuing its policy of maintaining ample reserves in the banking system.

Economic activity is expanding at a solid pace. While uncertainty remains elevated owing, in part, to geopolitical developments, domestic spending has been resilient. Productivity growth is strong, and capital investment is robust. Job gains have kept pace with the workforce, and the unemployment rate has changed little.

Inflation remains elevated. Today's policy action will support a timelier return to the Committee's 2 percent goal. The Committee will deliver price stability.

US INFLATION:

In August, consumer prices in the U.S. surged, mainly due to increasing gasoline prices. This trend elevates the likelihood of an interest rate hike by the Federal Reserve, with economists predicting a monthly rise in the consumer price index of 0.4%. When excluding food and energy, the core consumer price index saw a 0.3% rise.

GDP growth remains strong — 7.8% in Q1 FY27.

India's real GDP grew 7.8% YoY in April–June 2026, above the RBI's 7.0% estimate. Real GVA grew 8.2%, while manufacturing expanded 9.2% and services 10%. Investment growth was 11.9%, household consumption 7.1% and exports 12%.

Inflation moves higher:

August 2026 CPI inflation rose to 4.82%, from 4.45% in July. Food inflation increased to 5.95% from 5.52%. Rural inflation was 5.23%, while urban inflation was 4.31%.

August WPI inflation rose to 9.92% YoY, compared with 9.78% in July. The sharp increase in fuel and petroleum prices is particularly relevant for transport, logistics, chemicals, aviation, paints, tyres and other energy-intensive sectors.

Industrial production accelerates:

August IIP growth came in at **8.0% YoY**, significantly above expectations of 6.5%. Manufacturing grew 9%, electricity 12.3%, while mining contracted 5.6%.

Capital goods production rose **16.9%**, while consumer durables increased 11.1%.

RBI aggressively manages surplus liquidity.

The RBI significantly reduced excess banking-system liquidity during September through a combination of FX operations, dollar-rupee swaps, bond sales and variable-rate reverse repos.

The Reserve Bank of India's foreign exchange operations have soaked up an estimated \$20 billion of excess rupee liquidity, two bankers said, with dollar-rupee swaps playing a prominent role in liquidity management.

The RBI has used a combination of dollar-rupee sell-buy swaps, spot dollar sales, bond sales and variable-rate reverse repos in recent weeks to drain excess liquidity from the banking system.

Government cuts FY27 borrowing target:

A major fiscal-policy development came on September 25. The government announced ₹7.86 lakh crore of market borrowing for H2 FY27. Full-year market borrowing is now expected at approximately ₹15.995 lakh crore, below the Budget Estimate of ₹17.20 lakh crore.

ECONOMIC OVERVIEW.

September 2026 presented a mixed macroeconomic picture, with strong domestic growth in India offset by rising inflation, tighter liquidity conditions and a more restrictive global interest-rate environment. The U.S. Federal Reserve raised the federal funds rate by 25 bps to 3.75%–4.00%, unanimously, while emphasizing that inflation remains elevated and geopolitical uncertainty persists. India's economic fundamentals remained relatively resilient, with Q1 FY27 real GDP growth of 7.8%, supported by manufacturing, services, investment, consumption and exports. However, the acceleration in CPI and WPI inflation, particularly higher food, fuel and petroleum prices, indicates renewed cost pressures. Strong 8% IIP growth provides a counterbalance, highlighting continued momentum in industrial and capital-goods activity. On the monetary side, the RBI's aggressive liquidity-management operations, including FX interventions, swaps, bond sales and VRRR operations, indicate a shift toward tighter systemic liquidity conditions. This comes at a time when higher global bond yields and energy prices are creating additional pressure on domestic financial markets. The government's decision to reduce FY27 gross market borrowing to around ₹15.99 lakh crore from the Budget Estimate of ₹17.20 lakh crore is a notable fiscal development and reflects lower-than-budgeted borrowing requirements. Overall, the September macro environment can be characterized by strong growth but increasing inflation and financial-market pressures. India enters the coming months with a relatively robust domestic growth engine, but the combination of elevated commodity prices, tighter liquidity, higher global interest rates, currency pressures and geopolitical uncertainty could remain important risks for inflation, bond yields and equity-market valuations.



NIFTY TECHNICAL VIEW (WEEKLY CHART) – 22,620.45



- In September, the Nifty ended on a negative note for the second consecutive month. The index started the month on a weak note and remained under pressure throughout, resulting in a negative monthly close.
- On the weekly chart, the index continues to trade within the broad range of 22,000–26,000 and is gradually approaching the range support level. It has closed negatively for the eighth consecutive week, indicating sustained bearish pressure. The index is also approaching the support of the 200 WEMA.
- **The index needs to sustain above the 22,000 range support and hold the 200 WEMA at 22,382 to regain confidence among the bulls. On the higher end, 23,100 will act as the initial resistance level, while 22,000 will remain a significant support level.**

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