

JAN-2026: STICKY YIELDS .. RBI PUT... BUDGET WORRIES

RBI PUT in G-SEC markets: Positive

In the last few months RBI has given indications of its discomfort on yields: (i) It cancelled an auction in October, (ii) Gov explicitly stated that 10-year yields should be lower by 20bps, (iii) RBI changed its tack that from June rate cuts “Monetary policy has done all it could” to “Further rate actions are data dependent”, (iv) It announced Rs. 4 lac cr. OMO (albeit for liquidity reasons), (iv) it purchased bonds in secondary markets - stopping a rise in yields beyond 6.70% - twice. However, RBI’s contradictory statements, and lack of strong intervention have made markets question RBI’s credibility. Thus, despite RBI actions, market reaction has been tepid. We expect it to change with time.

Banks are not buying G-secs. But for how long?

The SLR to deposit ratio of banks has crashed. Banks are just not buying G-secs. The SLR/deposit ratio for public sector banks has fallen below 25% (eg: PNB’s results show 23% ratio). What does this mean? Banks are giving credit to commercial rather than buying G-secs.

But can this continue? We don’t think Banks can continue not purchasing G-secs for too long. The low SLR investment impact their Liquidity Coverage Ratio (LCR). Some banks are close to their regulatory LCR breaches, other banks are managing LCR by raising CD at high levels (any levels!). While this may continue for this quarter - but it is unlikely to spill over to next quarter.

Our position?

- In < 1 year we remain invested fully. The rise in money markets yields has been significant. It is not driven by macro fundamentals - but by banks running low LCR. In such times, when markets get dislocated, it is better to take contrarian view. While we are already higher in duration, we intend to increase it further in <1y by Feb, when CD issuances may rise.
- We still expect yields to fall significantly in next few months. We prefer a barbell between short term papers (carry too high) and long term G-secs (Insurance/NPS demand is back after lackluster few quarters).
 - In FY27, Banks will have to buy G-secs. Else, their LCR would get very low (even after new LCR regulations).
 - High gross G-sec borrowing (~16.9 lac cr) in budget is already priced-in. Negative surprise in budget is limited.
 - While some talk about the interest rate cycle has bottomed, we find logic weak. Rates cycle is determined by economic cycle. Not many expect growth to rebound strongly, yet most expect rates to rise. Its paradoxical. We believe that rates are here to stay for long - since growth may remain under pressure for long.

Which funds?

You want to park till quarter end?

- *DSP Ultra Short Fund* at ~200bp higher than overnight can be a suitable option. It is higher yielding and will be less susceptible to RBI policy, budget and liquidity movement. The high yielding papers generally compensate for MTM losses. And with duration of ~0.5 years, it’s not high risk, in our view.
- *DSP Liquidity fund* continues to be a suitable investment option till quarter end, with yield at 6.49% currently.

You want to park a few months, crossing quarter end?

- *DSP Savings Fund* is the answer. Its 175bp higher YTM than overnight rates. We intend to maintain our position this quarter and invest incremental flows in 1y segment. This should come in the money after quarter crossing.
- You want safety first? : *DSP Low Duration Fund* is the one. Again, YTM is >190bp over the overnight rates with 100% AAA rated portfolio - but it has duration of ~1 year. So, in quarter crossing you gain carry + mark to market.

You want to invest tactically for duration yields to fall in few months (our view)?:

- But you still want relatively lower volatility - *DSP Short Term Fund* and *DSP Banking & PSU Debt Fund* are the funds. They will give you relatively higher yields (190 to 200bp above overnight). Duration is enough to give you capital gains - and between these 2 you can choose based on your risk preference (*DSP Short Term Fund* - 2.70y, *DSP Banking & PSU Debt Fund* - 3.80y). The low credit risk highlights the relatively better option.

You are sure that yields will fall lower in next few months and want to go all-in?

- Our *DSP Strategic Bond Fund* (~9 years) and *DSP Gilt Fund* (~9.5 years) are the ones. Again, mostly in AAA and Gilts, these funds can be a suitable option if G-sec yields fall.

What we like?

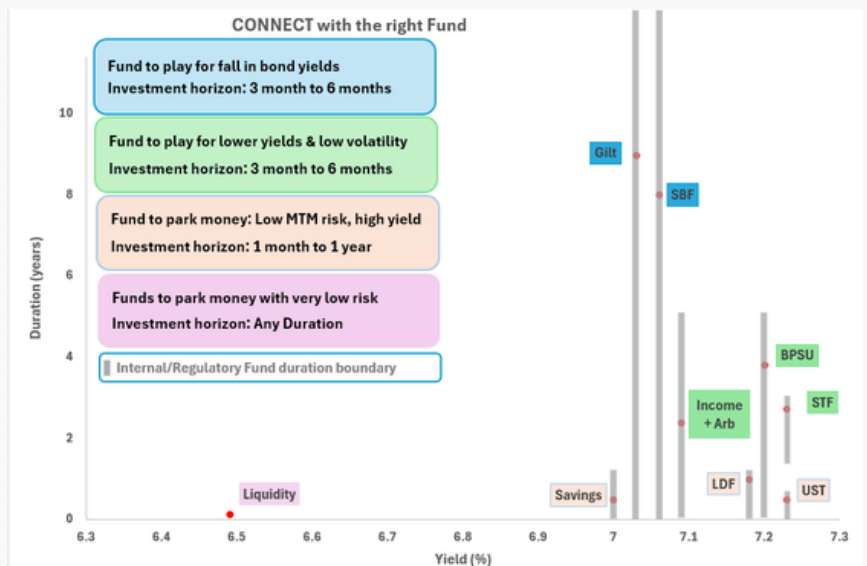
Investment choice is dependent on your needs, but we believe these funds are well suited in current markets:

DSP Savings Fund

Money market yields are high currently, and should remain for this quarter. But come April, the fall in yields plus high carry should give you return.

DSP Income Plus Arbitrage Omni Fund of Fund (Ex- DSP Income Plus Arbitrage Fund of Fund)

At a duration of 2.38 years the fund may moderately benefit from any rally in the market and the YTM of ~7.1% is reasonably high. The tax benefit is an added advantage.

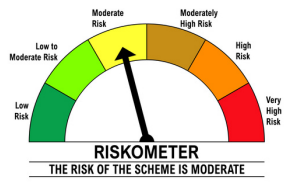
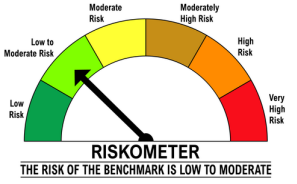
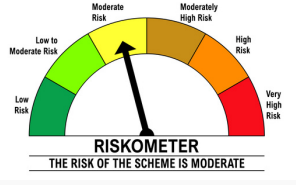
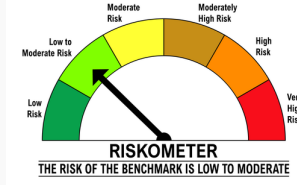
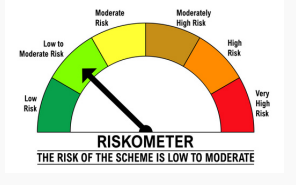
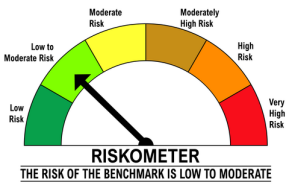
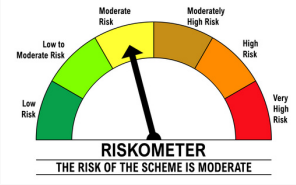
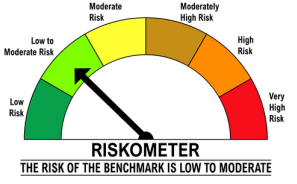


Source: Internal. Data as on 21-Jan-2026. YTM - Yield to Maturity. FX- Foreign Exchange. OMO - Open Market Operation. CIC - Currency in Circulation. MTM - Mark to Market. In the graph: Liquidity - DSP Liquidity Fund, Savings - DSP Savings Fund, UST - DSP Ultra Short Fund, LDF - DSP Low Duration Fund, Income + Arb - DSP Income Plus Arbitrage Omni FoF (Ex- DSP Income Plus Arbitrage Fund of Fund), STF - DSP Short Term Fund, BPSU - DSP Banking & PSU Debt Fund, SBF - DSP Strategic Bond Fund, Gilt - DSP Gilt Fund.

Disclaimers:

This note is for information purposes only. The statements contained herein may include statements of future expectations and other forward looking statements that are based on prevailing market conditions / various other factors and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. The recipient of this material should consult an investment /tax advisor before making an investment decision. In this material DSP Asset Managers Pvt. Ltd. (the AMC) has used information that is publicly available, including information developed in-house and is believed to be from reliable sources. The AMC nor any person connected does not warrant the completeness or accuracy of the information and disclaims all liabilities, losses and damages arising out of the use of this information. **Past performance may or may not be sustained in the future and should not be used as a basis for comparison with other investments. There is no assurance of any returns/capital protection/capital guarantee to the investors in above mentioned scheme.** For complete details on investment objective, investment strategy, asset allocation, scheme specific risk factors and more details, please read the Scheme Information Document, and Key Information Memorandum of the scheme available on ISC of AMC and also available on www.dspim.com. Tax treatment is governed by applicable tax laws in force at the time. Investors should note that they will be bearing the recurring expenses of the scheme, in addition to the expenses of other schemes in which the Fund of Funds Scheme makes investments.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

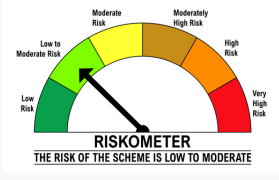
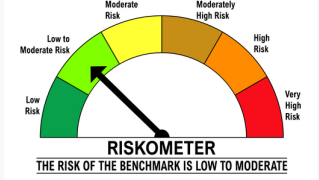
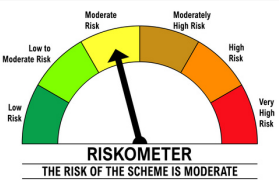
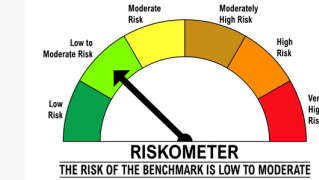
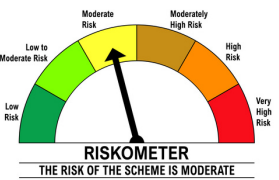
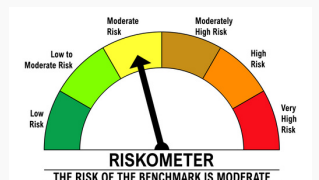
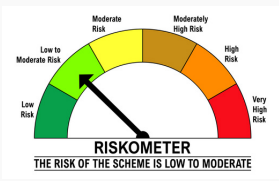
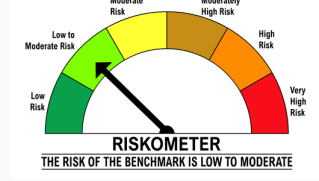
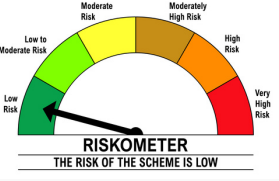
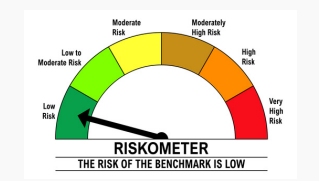
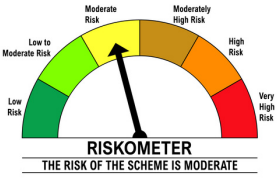
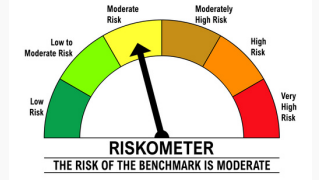
Scheme	Product Suitability	Scheme Riskometer	Benchmark Riskometer
<p>DSP Ultra Short Fund</p> <p>An open ended ultra-short term debt scheme investing in debt and money market securities such that the Macaulay duration of the portfolio is between 3 months and 6 months (please refer page no. 56 under the section "Where will the Scheme invest?" of SID for details on Macaulay's Duration). A relatively low interest rate risk and moderate credit risk</p>	<p>This Product is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> Income over a short-term investment horizon Investment in money market and debt securities 		<p>CRISIL Ultra Short Duration Debt A-I Index</p> 
<p>DSP Banking & PSU Debt Fund</p> <p>An open ended debt scheme predominantly investing in Debt instruments of banks, Public Sector Undertakings, Public Financial Institutions and Municipal Bonds. A relatively high interest rate risk and relatively low credit risk.</p>	<p>This Product is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> Income over a short-term investment horizon Investment in money market and debt securities issued by banks and public sector undertakings, public financial institutions and Municipal Bonds 		<p>Nifty Banking & PSU Debt Index A-II</p> 
<p>DSP Liquidity Fund</p> <p>An open ended liquid scheme. A relatively low interest rate risk and moderate credit risk.</p>	<p>This Product is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> Income over a short-term investment horizon Investment in money market and debt securities, with maturity not exceeding 91 days 		<p>CRISIL Liquid Debt A-I Index</p> 
<p>DSP Income Plus Arbitrage Omni FoF (Ex- DSP Income Plus Arbitrage Fund of Fund)@</p> <p>An open ended fund of funds scheme investing in units of debt oriented schemes and arbitrage schemes.</p>	<p>This product is suitable for investor who are seeking*</p> <ul style="list-style-type: none"> Income Generation & capital appreciation through investments in units of arbitrage and debt-oriented schemes 		<p>40% NIFTY 50 Arbitrage Index + 60% Nifty Composite Debt Index</p> 

*Investors should consult their financial advisors if in doubt about whether the scheme is suitable for them. Riskometer details are as on 31st December 2025

For latest Riskometers, investors may refer on the website of the Fund viz. www.dspim.com.

@Please refer to Notice cum addendum dated February 4, 2025 for change in fundamental attribute of scheme with effect from March 11, 2025. The scheme name has been changed from 'DSP Global Allocation Fund of Fund' to 'DSP Income Plus Arbitrage Fund of Fund' and the scheme benchmark has been changed from ' MSCI ACWI Net total returns index' to '40% NIFTY 50 Arbitrage Index + 60% CRISIL Dynamic Bond A-III Index' with effect from March 11, 2025.

The scheme name has been changed from 'DSP Income Plus Arbitrage Fund of Fund' to 'DSP Income Plus Arbitrage Omni FoF' and the scheme benchmark has been changed from '40% NIFTY 50 Arbitrage Index + 60% CRISIL Dynamic Bond A-III Index' to '40% NIFTY 50 Arbitrage Index + 60% NIFTY Composite Debt Index' w.e.f. August 31, 2025.

Scheme	Product Suitability	Scheme Riskometer	Benchmark Riskometer
<p>DSP Savings Fund</p> <p>An open ended debt scheme investing in money market instruments. A relatively low interest rate risk and moderate credit risk.</p>	<p>This Product is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> Income over a short-term investment horizon Investment in money market instruments with maturity less than or equal to 1 year. 	 <p>RISKOMETER THE RISK OF THE SCHEME IS LOW TO MODERATE</p>	<p>CRISIL Money Market A-I Index</p>  <p>RISKOMETER THE RISK OF THE BENCHMARK IS LOW TO MODERATE</p>
<p>DSP Short Term Fund</p> <p>An open ended short term debt scheme investing in debt and money market securities such that the Macaulay duration of the portfolio is between 1 year and 3 years (please refer page no. 40 under the section "Where will the Scheme invest?" for details on Macaulay's Duration). A moderate interest rate risk and relatively low credit risk</p>	<p>This Product is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> Income over a medium-term investment horizon Investment in money market and debt securities 	 <p>RISKOMETER THE RISK OF THE SCHEME IS MODERATE</p>	<p>CRISIL Short Duration Debt A-II Index</p>  <p>RISKOMETER THE RISK OF THE BENCHMARK IS LOW TO MODERATE</p>
<p>DSP Strategic Bond Fund</p> <p>An open ended dynamic debt scheme investing across duration. A relatively high interest rate risk and moderate credit risk.</p>	<p>This Product is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> Income over a medium to long term investment horizon Investment in actively managed portfolio of money market and debt securities 	 <p>RISKOMETER THE RISK OF THE SCHEME IS MODERATE</p>	<p>CRISIL Dynamic Bond A-III Index</p>  <p>RISKOMETER THE RISK OF THE BENCHMARK IS MODERATE</p>
<p>DSP Low Duration Fund</p> <p>An open ended low duration debt scheme investing in debt and money market securities such that the Macaulay duration of the portfolio is between 6 months and 12 months (please refer page no. 39 under the section "Where will the Scheme invest" in the SID for details on Macaulay's Duration). A relatively low interest rate risk and moderate credit risk.</p>	<p>This Product is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> Income over a short-term investment horizon. Investments in money market and debt securities 	 <p>RISKOMETER THE RISK OF THE SCHEME IS LOW TO MODERATE</p>	<p>NIFTY Low Duration Debt Index A-I</p>  <p>RISKOMETER THE RISK OF THE BENCHMARK IS LOW TO MODERATE</p>
<p>DSP Overnight Fund</p> <p>An Open Ended Debt Scheme Investing in Overnight Securities. A relatively low interest rate risk and relatively low credit risk.</p>	<p>This Product is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> reasonable returns with high levels of safety and convenience of liquidity over short term Investment in debt and money market instruments having maturity of upto 1 business day 	 <p>RISKOMETER THE RISK OF THE SCHEME IS LOW</p>	<p>CRISIL Liquid Overnight Index</p>  <p>RISKOMETER THE RISK OF THE BENCHMARK IS LOW</p>
<p>DSP Gilt Fund (Erstwhile DSP Government Securities Fund)</p> <p>An open ended debt scheme investing in government securities across maturity. A relatively high interest rate risk and relatively low credit risk.</p>	<p>This Product is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> Income over a long-term investment horizon Investment in Central and /or State government securities. <p>Please refer to Notice cum addendum dated January 11, 2024 for change in fundamental attribute of scheme with effect from February 23, 2024.</p>	 <p>RISKOMETER THE RISK OF THE SCHEME IS MODERATE</p>	<p>Crisil Dynamic Gilt Index</p>  <p>RISKOMETER THE RISK OF THE BENCHMARK IS MODERATE</p>

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For latest Riskometers, investors may refer on the website of the Fund viz. www.dspim.com.

DSP Overnight Fund:

Potential Risk Class Matrix: The potential risk class matrix of DSP Overnight Fund based on interest rate risk and credit risk is as follows:

Potential Risk Class			
Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Interest Rate Risk ↓			
Relatively Low (Class I)	A-I	-	-
Moderate (Class II)	-	-	-
Relatively High (Class III)	-	-	-

DSP Liquidity Fund:

Potential Risk Class Matrix: The potential risk class matrix of DSP Liquidity Fund based on interest rate risk and credit risk is as follows:

Potential Risk Class			
Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Interest Rate Risk ↓			
Relatively Low (Class I)	-	B-I	-
Moderate (Class II)	-	-	-
Relatively High (Class III)	-	-	-

DSP Ultra Short Fund:

Potential Risk Class Matrix: The potential risk class matrix of DSP Ultra Short Fund based on interest rate risk and credit risk is as follows:

Potential Risk Class			
Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Interest Rate Risk ↓			
Relatively Low (Class I)	-	B-I	-
Moderate (Class II)	-	-	-
Relatively High (Class III)	-	-	-

DSP Low Duration Fund:

Potential Risk Class Matrix: The potential risk class matrix of DSP Low Duration Fund based on interest rate risk and credit risk is as follows:

Potential Risk Class			
Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Interest Rate Risk ↓			
Relatively Low (Class I)	-	B-I	-
Moderate (Class II)	-	-	-

DSP Gilt Fund (Erstwhile DSP Government Securities Fund)⁵⁵⁵

Potential Risk Class Matrix: The potential risk class matrix of DSP Gilt Fund (Erstwhile DSP Government Securities Fund)⁵⁵⁵ based on interest rate risk and credit risk is as follows:

Potential Risk Class			
Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Interest Rate Risk ↓			
Relatively Low (Class I)	-	-	-
Moderate (Class II)	-	-	-
Relatively High (Class III)	A-III	-	-

DSP Savings Fund:

Potential Risk Class Matrix: The potential risk class matrix of DSP Savings Fund based on interest rate risk and credit risk is as follows:

Potential Risk Class			
Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Interest Rate Risk ↓			
Relatively Low (Class I)	-	B-I	-
Moderate (Class II)	-	-	-
Relatively High (Class III)	-	-	-

DSP Short Term Fund:

Potential Risk Class Matrix: The potential risk class matrix of DSP Short Term Fund based on interest rate risk and credit risk is as follows:

Potential Risk Class			
Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Interest Rate Risk ↓			
Relatively Low (Class I)	-	-	-
Moderate (Class II)	A-II	-	-
Relatively High (Class III)	-	-	-

DSP Banking & PSU Debt Fund:

Potential Risk Class Matrix: The potential risk class matrix of DSP Banking & PSU Debt Fund based on interest rate risk and credit risk is as follows:

Potential Risk Class			
Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Interest Rate Risk ↓			
Relatively Low (Class I)	-	-	-
Moderate (Class II)	-	-	-
Relatively High (Class III)	A-III	-	-

DSP Strategic Bond Fund:

Potential Risk Class Matrix: The potential risk class matrix of DSP Strategic Bond Fund based on interest rate risk and credit risk is as follows:

Potential Risk Class			
Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Interest Rate Risk ↓			
Relatively Low (Class I)	-	-	-
Moderate (Class II)	-	-	-
Relatively High (Class III)	-	B-III	-