

DO WE EXPECT RBI TO DO MORE OMOs ?

Durable Liquidity Infusion: Since December'2025, the RBI has infused substantial liquidity into the system, amounting to approximately ₹6.25 lakh crore. This was achieved through a combination of (i) Buy-Sell Swaps totaling ₹2.25 lakh crore, and (ii) Open Market Operations (OMOs) worth around ₹4 lakh crore.

Transient liquidity infusion:

In addition to these measures, the RBI has provided long-term Variable Rate Repo (VRR) liquidity of ₹1.4 lakh crore, which is scheduled for reversal on April 30.

Notably, this reversal falls just ahead of the period when the RBI is expected to announce its annual dividend payout. Thus, this temporary liquidity will be naturally substituted by durable liquidity then.

Sufficient Core Liquidity:

Even after accounting for the VRR reversal, core system liquidity is likely to remain comfortably above the ₹5 lakh crore mark, supported by ongoing surplus conditions and the anticipated dividend transfer.

Impact of FX driven liquidity:

Expected FX inflows are likely to remain neutral, as the RBI is expected to extinguish its forward FX positions.

No more OMOs is our view:

Given this strong liquidity backdrop, it is reasonable to expect that the RBI will refrain from announcing any further OMOs in the near term, as existing measures appear sufficient to manage liquidity conditions effectively.

Impact on yields curve:

We expect the money market yield curve to fall gradually across the months as the liquidity remains surplus. Govt would be spending its cash balance ahead of March end, further ensuring that the core liquidity percolates to banking liquidity.

Fund positioning:

We remain fully invested across our funds – and plan to remain so for next few months as the yields fall. Kindly see DSP CONNECT released in January for more details about our funds.

