US Federal Reserve Monetary Policy

June

2026

22.06.2026

Economic Research Vertical

Internal

Summary of Economic Projections

Growth

2026	2.2%
2027	2.3%
2028	2.2%
Longer term	2.0%.

Inflation forecast

2026	3.6%
2027	2.7%
2028	2.0%

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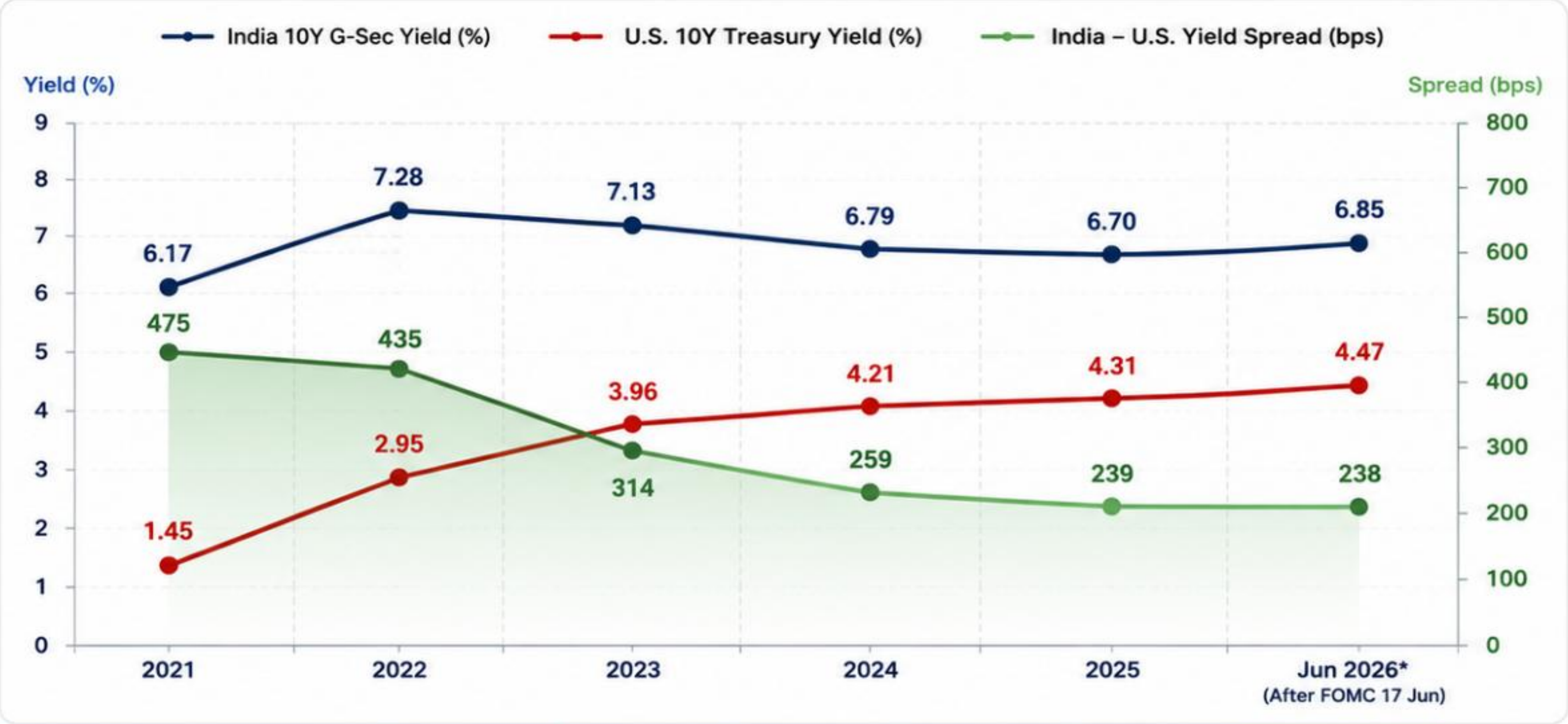
INDIA vs U.S. 10-YEAR BOND YIELD SPREAD – LAST 5 YEARS

Historical Comparison (June 2021 – June 2026*)



Year	2021	2022	2023	2024	2025	Jun 2026* (After FOMC 17 Jun)
India 10Y G-Sec Yield (%)	6.17	7.28	7.13	6.79	6.70	6.85
U.S. 10Y Treasury Yield (%)	1.45	2.95	3.96	4.21	4.31	4.47
Yield Spread (India – U.S.) (bps)	475	435	314	259	239	238

Source: Investing.com, Trading Economics, RBI, U.S. Department of the Treasury *As on June 17, 2026 (Post FOMC Decision)

SUMMARY INSIGHTS

SPREAD NARROWING

The India–U.S. 10Y yield spread has narrowed from **475 bps** in 2021 to **238 bps** in June 2026.

U.S. YIELDS RISE

U.S. Treasury yields have climbed sharply from **1.45%** in 2021 to **4.47%** in June 2026 on higher-for-longer rate outlook.

INDIAN YIELDS STABLE

Indian 10Y G-Sec yields remained range-bound (**~6.7%–7.3%**), supported by RBI policy management and strong domestic demand.

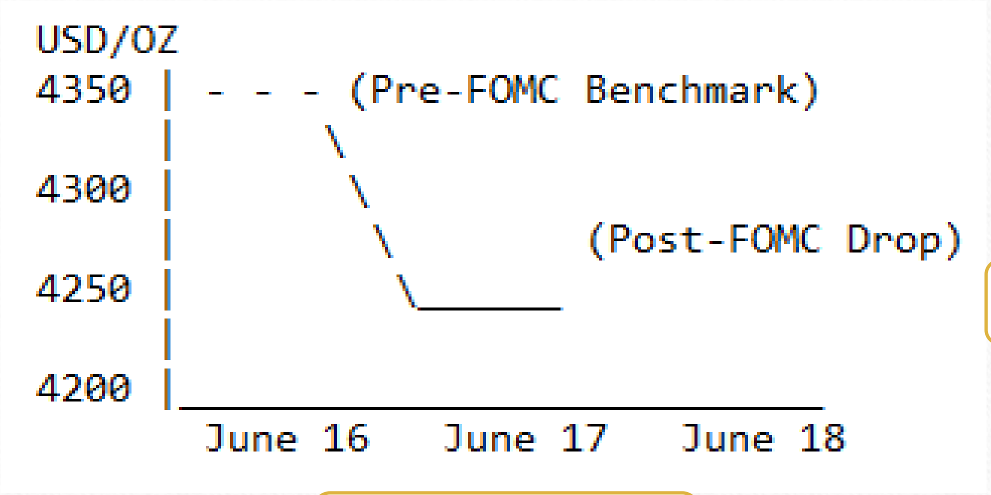
IMPACT

Narrowing spread reduces relative attractiveness of Indian bonds for foreign investors and may moderate debt inflows.

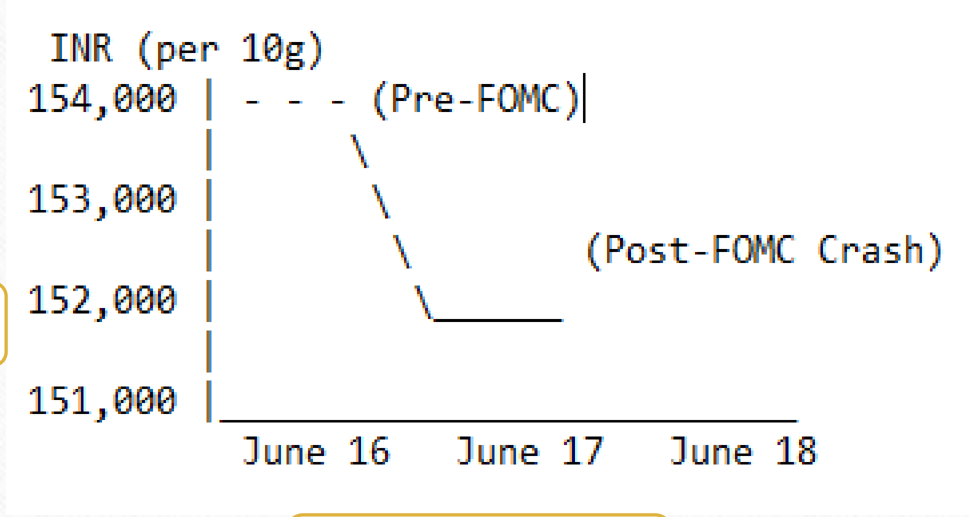
KEY TAKEAWAY

Following the June 17, 2026 FOMC, U.S. yields moved higher on a hawkish outlook, while Indian yields remained steady. The spread is at **~238 bps**, its lowest in the last 5 years.

- Higher interest rates and a stronger dollar weakens commodity prices.
- This reduces the attractiveness of non-yielding assets such as gold and silver.

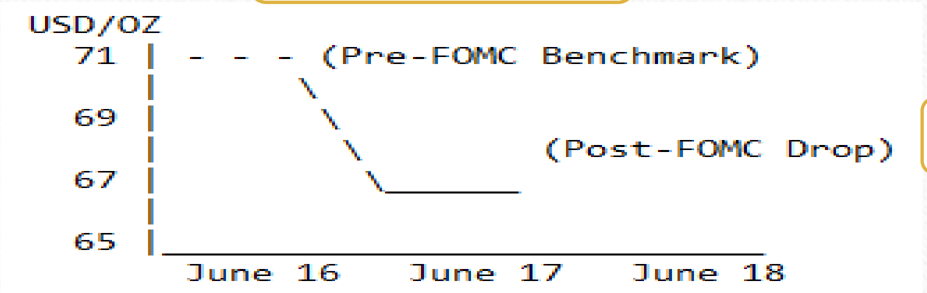


Gold

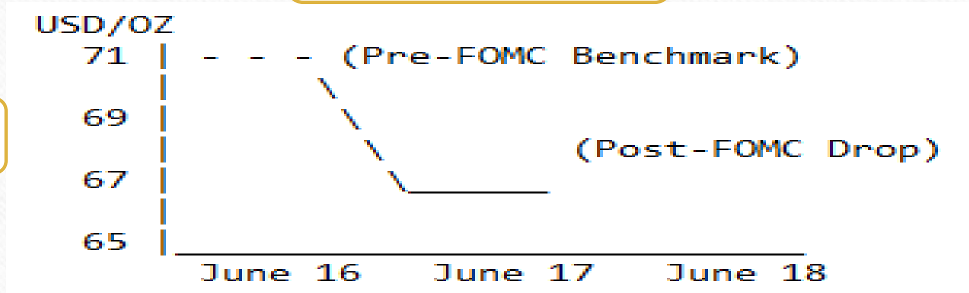


US market

Indian Market



Silver



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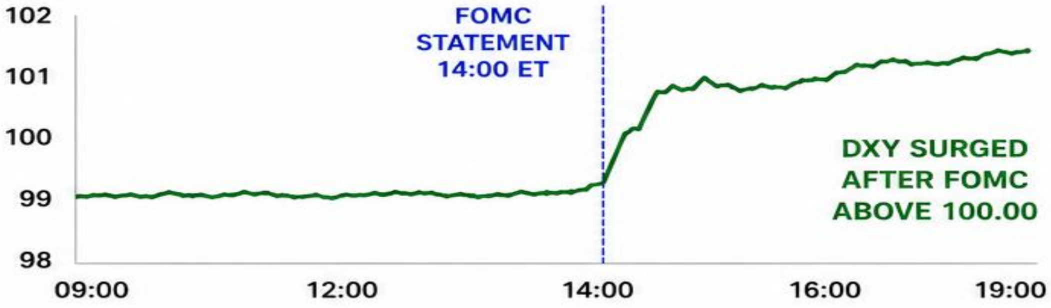
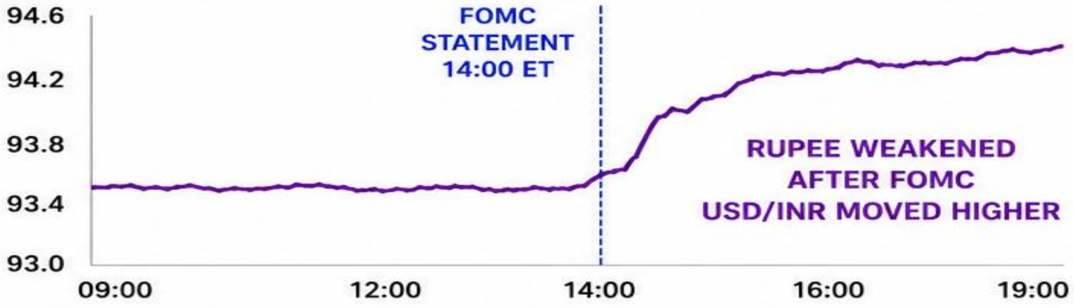
FOMC (JUNE 2026) MARKET REACTION – SIMPLE SUMMARY

DOLLAR INDEX (DXY)



DXY: 99.45 → ~101.00 +1.55 (+1.55%)

USD/INR (INDIAN RUPEE)



USD/INR: 94.10 → ~94.42 +0.32 (+0.34%)

MARKET SNAPSHOT

Instrument	Pre-FOMC (13:30–23:00 IST)	Post-FOMC (18:30–04:00 IST)	Change
DXY	~99.45	~101.00	+1.55 (+1.55%)
USD/INR	~94.10	~94.42	+0.32 (+0.34%)

KEY TAKEAWAYS

- The Fed kept interest rates unchanged but signaled higher for longer.
- Markets priced in the possibility of a rate hike later in 2026.
- U.S. Treasury yields rose, boosting the U.S. Dollar.
- USD/INR moved higher, indicating rupee depreciation.

YIELD COMPARISON (POST FOMC)

INDIA 10 YEAR G-SEC YIELD
6.20%
(↑ Increased)

US 10 YEAR TREASURY YIELD
4.20%
(↑ Increased)

STRONGER DOLLAR | WEAKER RUPEE | HIGHER US YIELDS | PRESSURE ON EM & COMMODITIES

Source: Investing.com, TradingView
Data as on 19 June 2026

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Implications

- Lower GDP growth forecasts put pressure on debt servicing capacity and yields could remain higher
- Though inflation is forecast lower for further years low growth amplifies debt
- EM currencies could be more vulnerable and DXY to remain elevated
- At least one rate hike expected in 2025; US 10Yr could range between 4.5-5.0%

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