

KEY HIGHLIGHTS:

Repo	6.50%	Reverse Repo	3.35%	MSF	6.75%	CRR	4.50%	SLR	18.00%
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RBI MPC surprised markets by pausing of rate hikes; The stance was maintained at “..remain focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.”

OUTLOOK:

- ❑ RBI MPC surprised markets by pausing of rate hikes, citing global financial stability concerns and the need to assess the impact of cumulative tightening already delivered in last 1 year.
- ❑ The stance was maintained at “..remain focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.”
- ❑ While Governor Das stressed that the pause in hike cycle was only for the current meeting, we believe that the bar for further rate hike is now high, as the US FED is probably veering to the end of cycle as well, in the wake of banking stress in the US.
- ❑ We now expect RBI MPC to go for a longish pause and watch the evolving inflation dynamics.
- ❑ India growth remains resilient, keeping pressure on core inflation as well as on RBI MPC, to maintain tight monetary policy.
- ❑ With RBI projecting inflation to be 5.2% for FY2024, it remains above their 4% medium term policy target, giving them little room for easing action.
- ❑ Global rate scenario has turned benign in wake of banking stress and contagion risk. If global inflation continues to moderate, as expected, rate easing may start earlier than expected, possibly by end of 2023.
- ❑ Markets have rallied post policy, with the curve steepening as short-term rates drop more than longer term rates.
- ❑ With RBI likely to remain in pause and volatile global markets, rate markets may trade in a range with a downward bias. We expect 10Y G-SEC to trade in the range of 7.10-7.30% in the near term.

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