Business Standard

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RBI, Reserve Bank of India

A woman walks past the Reserve Bank of India (RBI) head office in Mumbai | Photo: Reuters

The bond market seems to be expecting interest rates to remain unchanged in the Reserve Bank of India's (RBI's) Monetary Policy Committee (MPC) meeting on Wednesday as the yield on benchmark 10-year paper softened by 5 basis points (bps) to close at 7.83 per cent.

Economists said the panel may wait till the next policy review in August for any decision on rate hike, awaiting data on spread of monsoon.

There are many worrying factors such as oil prices, volatile currency, large-scale selling by foreign portfolio investors, falling reserves and inflationary expectations. The assessment of these may make the language of review more hawkish as most MPC members share the concerns.

MPC may revise the consumer price inflation (CPI) projections for the year. The April policy projected CPI of 4.7-5.1 per cent for the first half of fiscal 2018-19 and 4.4 per cent in second half. The RBI is unlikely to change the growth estimates for the current financial year.

The MPC may dwell on international developments, including effects of US government's borrowing plan, US Fed's pace for shrinking its balance sheet and policy of oil producing countries on supplies.

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First Published: Wed, June 06 2018. 07:00 IST

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