Business Standard covered every aspect of the Monetary Policy Review. Here are our top stories:

RBI increases repo rate, maintains neutral stance: Citing the fear of inflation, the six-member monetary policy committee (MPC) on Wednesday unanimously voted for a rate hike. The hike in policy repo rate to 6.25 per cent from 6 per cent was contrary to market expectation that the central bank will hold rates.
Even as the central bank kept its stance 'neutral', the bond market saw the policy statement as hawkish, expecting at least one more rate hike soon. The 10-year gilt yield, which had already factored in a 25 bps hike in rates, jumped 8 bps after the policy announcement.

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RBI rate hike to counter US Fed policy, stronger dollar: RBI on Wednesday joined peers in Indonesia, Turkey and Argentina in raising rates as policy tightening in the US and a stronger dollar rattles broader emerging markets. While announcing the hike, the RBI cited volatile crude oil prices and global financial market developments as risks.

Oil is India's biggest import and rising prices are a threat not only to inflation, but also to the nation's sizable trade deficit, putting more pressure on the currency.

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Finance ministry sees minimal impact: The finance ministry feels there won't be much impact of the repo rate hike as banks have already discounted for it.

"Rate hike understandable, considering existing interest differentials and oil price movement. Should help in removing uncertainties and steadying markets," Department of Economic Affairs Secretary Subhash Chandra Garg said.

Finance Minister Piyush Goyal, soon after the rate hike announcement, held a meeting with top bureaucrats of the Finance Ministry, including Garg, Department of Financial Services Secretary Rajiv Kumar, Expenditure Secretary Ajay Narayan Jha and Finance Secretary Hasmukh Adhia.
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States may need to get their loans rated: In another major announcement, the RBI reduced the margin requirement for government securities (Gsecs) and state development loans (SDL) mortgaged by banks to access liquidity from the central bank.

Depending on residual maturity, the central bank said margin requirement for government bonds would be in the range of 0.5 per cent to 4 per cent. For SDLs, the margin requirement would be 2.5 per cent to 6 per cent.
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Investment recovery positive, headwinds remain: Market indices initially reacted negatively to the rate hike but soon recovered to close the day about a per cent higher. The neutral stance of RBI and the regulator's expectation of improvement in investment activity propped up investor sentiment.

However, is the market reading too much into RBI’s investment expectation, especially in the light of the looming headwinds?
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Experts welcome RBI move: Market players supported the RBI's move, saying the hike was warranted to stem the foreign institutional investor (FII) outflow and rupee weakness.

“The global backdrop has become more important in recent months. Emerging market economies are opting for interest rate hikes to defend their currencies at a time of strong portfolio outflows,” said Mahesh Singhi, managing director, Singhi Advisors.

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FICCI hails rate hike: Federation of Indian Chambers of Commerce & Industry (FICCI) on Wednesday hailed the RBI's monetary policy while calling it 'positive for growth revival.'

FICCI president Rashesh Shah said, "Today's 25 bps rise in repo rate by RBI is based on the ground realities and it indicates towards the positive sentiments in the economy."

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Repo rate increase signals RBI's intent: Our editorial notes that RBI's decisions are a " welcome move even if just to signal the intent of the Reserve Bank of India (RBI) at a time when most observers expected the central bank to keep the repo rate unchanged and come up with a policy statement that was more hawkish in its tone than the one announced in April".

RBI's "neutral" stance may be confusing and indeed contradictory, but as Governor Urjit Patel stated, it means the RBI wants to keep all its options open.

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Markets overpower RBI: *Soumya Kant Ghosh*, in an opinion piece, said the RBI's decision to raise repo rate was perhaps dictated by a desire to move ahead of the curve and hence impart credibility to inflation targeting framework in being forward-looking.

"The unanimous rate hike call by MPC members is also a smart communication to the markets in speaking in unison," he wrote.

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More houses to be affordable: The RBI has increased the housing loan limits for priority sector lending (PSL) eligibility from Rs 2.8 million to Rs 3.5 million in centres with a population of one million and above, and from Rs 2 million to Rs 2.5 million in other centres, smaller towns and rural areas.

This means that any loan below Rs 3.5 million (urban) or Rs 2.5 million (rural) that banks and HFCs disburse will automatically fall-in and meet the PCL requirements of the lender, as long as the overall costs of the dwelling unit in the metropolitan centre and at other

centres do not exceed Rs 4.5 million and Rs 3 million respectively.
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Repo rate hike and neutral policy stance not conflicting, says Urjit Patel: Speaking to media after RBI's decision to raise the repo rate, Governor Urjit Patel said the decision to hike rate and a "neutral" stance were not conflicting, as a neutral stance leaves all options open and other central banks do the same. " There is no tension between the two, the committee felt that there was enough uncertainty for us to keep to the neutral stance and yet respond to risks of the inflation target that have emerged in recent months," he said.
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