

The [Reserve Bank of India](#) is expected to push key policy rates higher again in order to keep [inflation](#) in check, says an [HSBC](#) report.

Earlier this month, the central bank had upped its [retail inflation](#) projection by 0.30 per cent and kept the policy stance in the neutral zone, even as it hiked the key rate by 0.25 per cent to 6.25 per cent.

The global financial services major believes there is room for further rate hikes.

"India may also tweak rates higher. Oil has delivered a bit of a sting, hurting the trade balance and stoking price pressures. To keep [inflation](#) expectations in check, [RBI](#) may need to push rates higher again," Frederic Neumann, co-head of Asian economic research at [HSBC](#) said in a note.

According to official data, [retail inflation](#) jumped to a four-month high of 4.87 per cent in May on costlier food items such as fruits, vegetables and cereals, coupled with high fuel rates. In May last year, the [retail inflation](#) was at a low of 2.18 per cent.

The [HSBC](#) report noted that "it is hard to see India's central bank following the Fed move for move: it, too, will lag the US by a substantial margin".

As per the report, there is a divergence in monetary policy across the world. While on one hand, the Fed looks determined to hike further, on the other, central banks elsewhere don't seem to be in a hurry to up the rates.

Expectations for Fed rate hikes have increased further in recent weeks, with HSBC's US economists adding another 50 bps in hikes to their projections by end 2019.

Even as the Philippines nudged rates higher, officials don't expect a prolonged tightening cycle.

While Indonesia, India, Singapore, might hike policy rates, Australia's central bank, Thailand, Malaysia and Bank of Japan may give it a miss, the report said.

"Even if much of the world economy is still expanding, relative performance is diverging. And that means monetary policy is too, keeping investors on their toes," Neumann said adding that "divergence will stick around for a while".