Business Standard

Nifty PSU Bank (up 2%), Nifty Realty (1.4%) and Nifty Auto (up 1.5%) were up more than 1% as compared to 0.88% rise in Nifty 50 index at 02:57 pm.

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Shares of rate sensitive sectors such as bank, real estate and automobiles are trading firm after the Reserve Bank India (RBI) hiked repo rate by 25 bps to 6.25%. This is the first rate hike since January 2014. The central bank maintained neutral stance in the second policy decision of FY19.

Nifty PSU Bank (up 2%), Nifty Realty (1.4%) and Nifty Auto (up 1.5%) were up more than 1% as compared to 0.88% rise in the benchmark Nifty 50 index at 02:57 pm. Nifty Bank and Nifty Private Bank index however, up 0.42% and 0.37%, respectively.

State Bank of India (SBI), Bank of India and Allahabad Bank from the banking, Indiabulls Real Estate, Godrej Properties and Oberoi Realty from real estate and Tata Motors, Eicher Motors, Bosch and Bharat Forge from auto sector were up more than 2% on the NSE.

"On the basis of an assessment of the current and evolving macroeconomic situation at its meeting today, the Monetary Policy Committee (MPC) decided to increase the policy repo rate under the liquidity adjustment facility (LAF) by 25 basis points to 6.25%. Consequently, the reverse repo rate under the LAF stands adjusted to 6.0%, and the marginal standing facility (MSF) rate and the Bank Rate to 6.50%," RBI said in second bi-monthly monetary policy statement.

The MPC notes that domestic economic activity has exhibited sustained revival in recent quarters and the output gap has almost closed. Investment activity, in particular, is recovering well and could receive a further boost from swift resolution of distressed sectors of the economy under the Insolvency and Bankruptcy Code. Geo-political risks, global financial market volatility and the threat of trade protectionism pose headwinds to the domestic recovery. It is important that public finances do not crowd out private sector investment activity at this crucial juncture. Adherence to budgetary targets by the Centre and the States – which appears to be the case thus far – will also ease upside risks to the inflation outlook considerably, the statement added.

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