

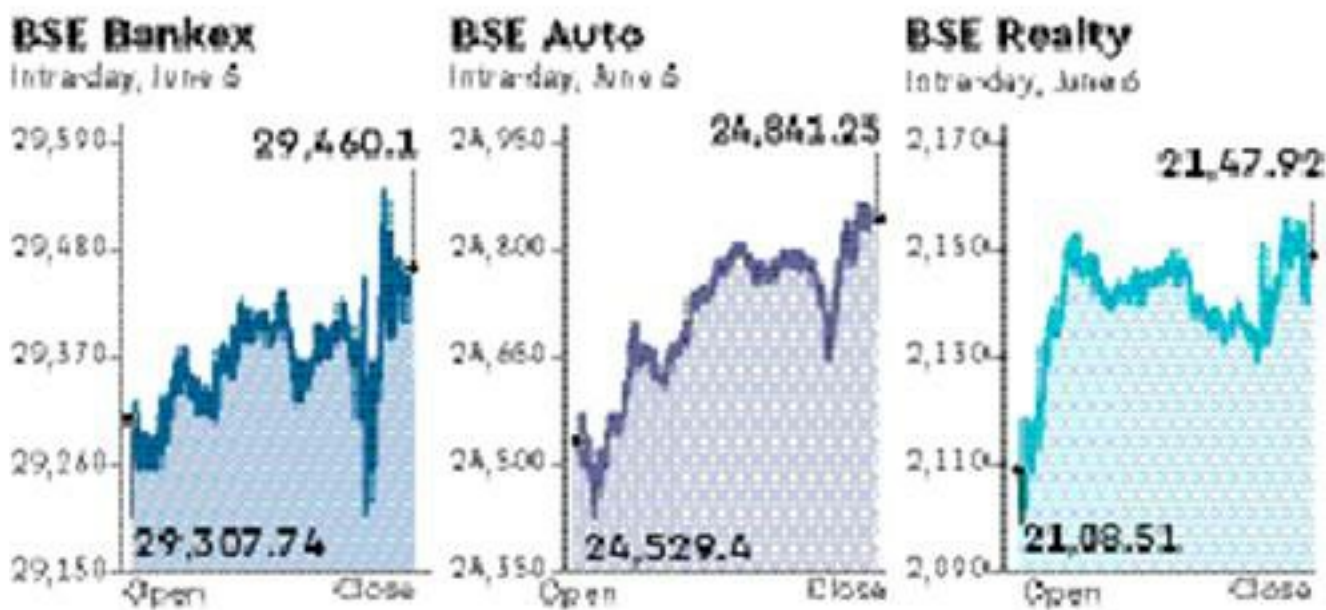


Interest rate-sensitive bank, auto and realty stocks rose by up to 3.5% on Wednesday following the policy rate hike by the Reserve Bank of India (RBI) to 6.25% after a four-year pause. (Reuters)

Interest rate-sensitive bank, auto and realty stocks rose by up to 3.5% on Wednesday following the policy rate hike by the Reserve Bank of India ([RBI](#)) to 6.25% after a four-year pause. Repo rate is the rate at which the RBI lends money to commercial banks in the event of any shortfall of funds. Market participants said stock prices rose despite the hike as it ended the uncertainty. The BSE Bankex rose by 0.57% on Wednesday to end the session at 29,460.10. Eight out of the ten stocks in the BSE Bankex rose on the day. State Bank of India gained the most by 2.43%, followed by PNB (2.36%) and Bank of Baroda (2.03%). Shares of Federal Bank, Kotak [Mahindra](#) Bank, and Yes Bank rose by 1.03%, 0.90%, and 0.70% respectively. The benchmark Sensex rose by 0.79% to end the session at 35,178.88.

” The market was kind of half prepared for a rate hike. Rising rate environment is not necessarily a great thing for the banks. But on the other hand, you get to reprice your loans. For banks, the hike is not necessarily positive or negative. For banking sector, it is more about the health of the economy,” said a market participant on the condition of anonymity. Auto stocks also rose. The BSE Auto Index rose by 1.57% to end the session at 24,841.25. Shares of Bosch rose by 5.77%, [Tata](#) Motors by 3.56%, while Eicher Motors rose by 2.17% and Exide Industries saw an uptick of more than 1.92%.

“Auto numbers have been consistently strong across segments. A 25-basis-points hike in rates doesn’t make too much of a difference in the margin,” said the person quoted above. The BSE Realty index rose by 1.47%. IndiaBullsReal Estate by 2.81%, Godrej Properties by 2.76%, and Unitech by 2.45%. Phoenix, Oberoi Realty, and Prestige rose by more than 1% each. Sobha and DLF rose by 0.70% and 0.63% respectively.



In a note to investors, Nomura said the RBI’s decision to maintain a ‘neutral’ stance suggests that it does not want to signal that it is embarking on a tightening cycle and that it remains data dependent.

” We believe that both growth and inflation are likely to head higher in the coming months, paving the way for another 25 bp rate hike in August. However, the ongoing tightening of financial conditions, higher oil prices, and political uncertainty are likely to slow economic activity after September, in our view. Hence, we expect a pause after that,” the note said.

Commenting on the monetary policy Motilal Oswal, chairman & MD, Motilal Oswal Financial Services said a 25 bps hike was the best thing to do at this juncture. “India is in a situation where anything sharp can hurt the economy. If we raise the interest rates too fast & too sharp, and try tightening the money supply, it can hurt the corporate earnings, which are just about on cusp of expanding. Lowering of interest further was not the case at all as Global volatility due to crude and rate tightening never offered that option,” Oswal said.

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