BWR expects Monetary Policy Committee to cut repo rate by 25 basis points

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BWR expects the Monetary Policy Committee (MPC) of Reserve Bank of India (RBI) to cut key policy repo rate by 25 basis points in the ensuing policy review of June 6, 2019. The MPC has reduced repo rates - 25 basis points each - continuously in its earlier two MPC reviews.

Benign inflation which has remained below the MPC’s target and slowdown in domestic economic activity as reflected in the recent Q4 GDP numbers provide a strong rationale for policy rate cut. BWR expects a change in MPC stance from neutral to accommodative as RBI has introduced many liquidity easing measures like forex swap, OMO purchases, reduction in SLR etc. BWR also feels that with the current economic environment and low inflation scenario, it is advisable to frontload the rate cut by reducing the repo rate by 50 basis points.

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