

## 'RBI can afford to delay any change in its stance by one more policy'

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*Rahul Singh, senior fund Manager — fixed income, LIC Mutual Fund Asset Management*

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**Do you think the RBI will take a U-turn in the upcoming monetary policy after maintaining a dovish stance till now?**

The RBI has been clear in its previous policy statements that it is focussing on growth, considering a lot of the segments within the economy require easy liquidity to sustain themselves. Having said that, they are also mindful of the fact that inflation could erode a big percentage of the growth and are keeping an eye on that as well. However, as of now, inflation is well within its target zone of 4-6% (it did touch 6% in the latest CPI print) from a half-yearly or FY perspective. There have been backroom talks to allow India to buy oil from Russia at a deep discount. So my reading says this policy will be a non-event. The RBI can afford to delay any stance change/RR hike by one more policy.

**How will the central bank manage the higher government borrowing in FY23 without letting yields moving upwards?**

From a point-to-point perspective, yields may likely go up as compared to the last one year. The only solace will be the fact that there may not be any sharp movements in yields going up, despite the market facing an unprecedented supply. The RBI may actively go for switches and OMOs. They have conducted one buy/sell swap in March and may conduct one more in April. This may provide room to conduct OMOs as well. But overall, we may see a higher yield from an FY perspective.

**Where do you see benchmark yields in FY23?**

I believe it shall be in the range of 7.25-7.50%, although there might be a temporary spike of above 7.50%.

**What are your views on US Fed finally increasing interest rate? Do you think India can afford to wait now?**

The Federal Reserve has been bullish on rates since December 2021 and we have heard statements on QT, 175-200 bps hike in FY23, and yet we have not experienced a sharp spike in yields till now. A lot of it is due to the fact that the kind of inflation the US has experienced late is way beyond their long-term expectations, whereas CPI inflation in India is still not in that uncomfortable zone.

**Many expect the RBI to hike at least 50 bps this year, how much hike do you expect considering domestic and international cues?**

Interest rate hike of 50 basis points as estimated by analysts in the current financial year might be a realistic estimate.