



MARKETS: Expect nothing

8th Aug, 2016

GST clearance was a boost to markets and now next major event is tomorrow's RBI meet which is the last one for current governor.

There are positive indications on monsoon front and that may be taken as a support for rate cut decision. Industry and media has been expecting a rate cut on grounds that inflation is under control, and stagnating industry needs lower rates. Passage of GST is also positive for rate cut. RBI had mentioned that reforms like GST are more important for growth than lower rates.

But RBI may take a cautious stance in view of the higher inflation reported in July at 5.77% which is at the upper range of RBI's inflation target. RBI is expecting inflation to move with an upward bias with high uncertainties in future inflation rate.

Under such scenario, we expect that RBI will hold the rate leaving it for the next governor to decide based on the outcome of monsoon. In absence of any action by the RBI, markets may move on its own.

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