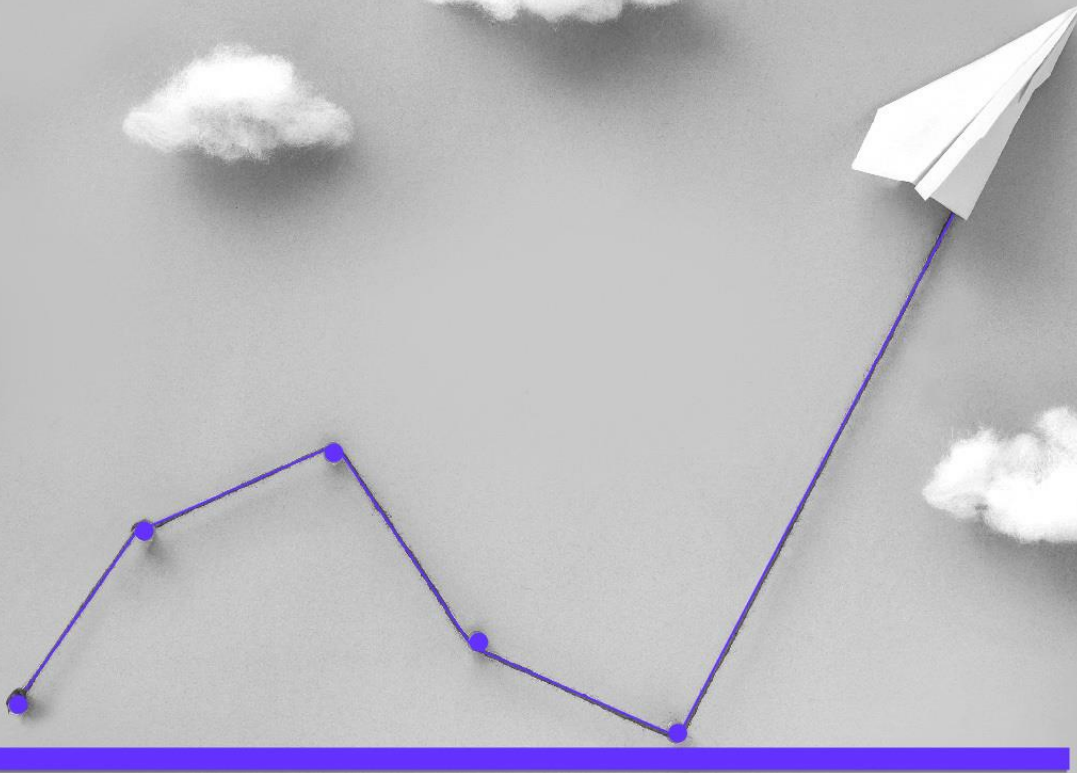


TRENDS & TIDES

**RBI MPC August 2023
maintains repo rate at 6.5%,
announces temporary liquidity
withdrawal**



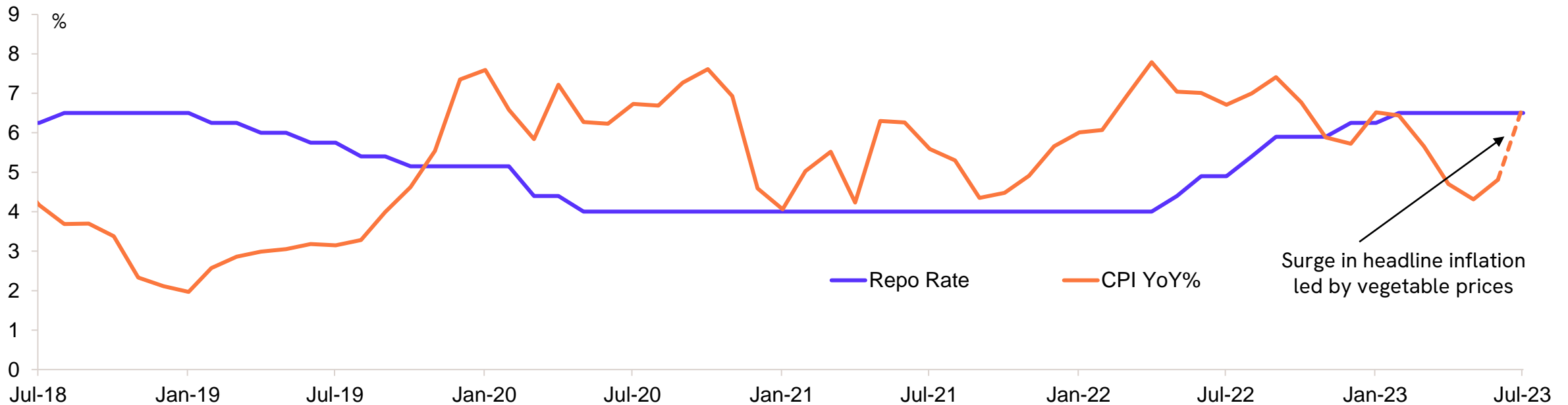
RBI maintains hawkish pause as it looks through food price shocks

Remains firmly focused on aligning inflation to the 4% target, as bringing inflation within the tolerance band not enough

Monetary policy stance retained at *'focused on withdrawal of accommodation to ensure that inflation progressively aligns with the target, while supporting growth'*

Governor Das reiterates commitment to align CPI inflation to the 4% target on a durable basis. **Prepared to look through idiosyncratic shocks (such as the recent rise in vegetable prices), but ready to act if the shocks persist**

RBI announces an **incremental cash reserve ratio (I-CRR) of 10 per cent** on the increase in scheduled banks' net demand and time liabilities (NDTL) between 19th May and 28th July 2023 to absorb surplus liquidity in system. I-CRR will be reviewed on or before 8th September 2023

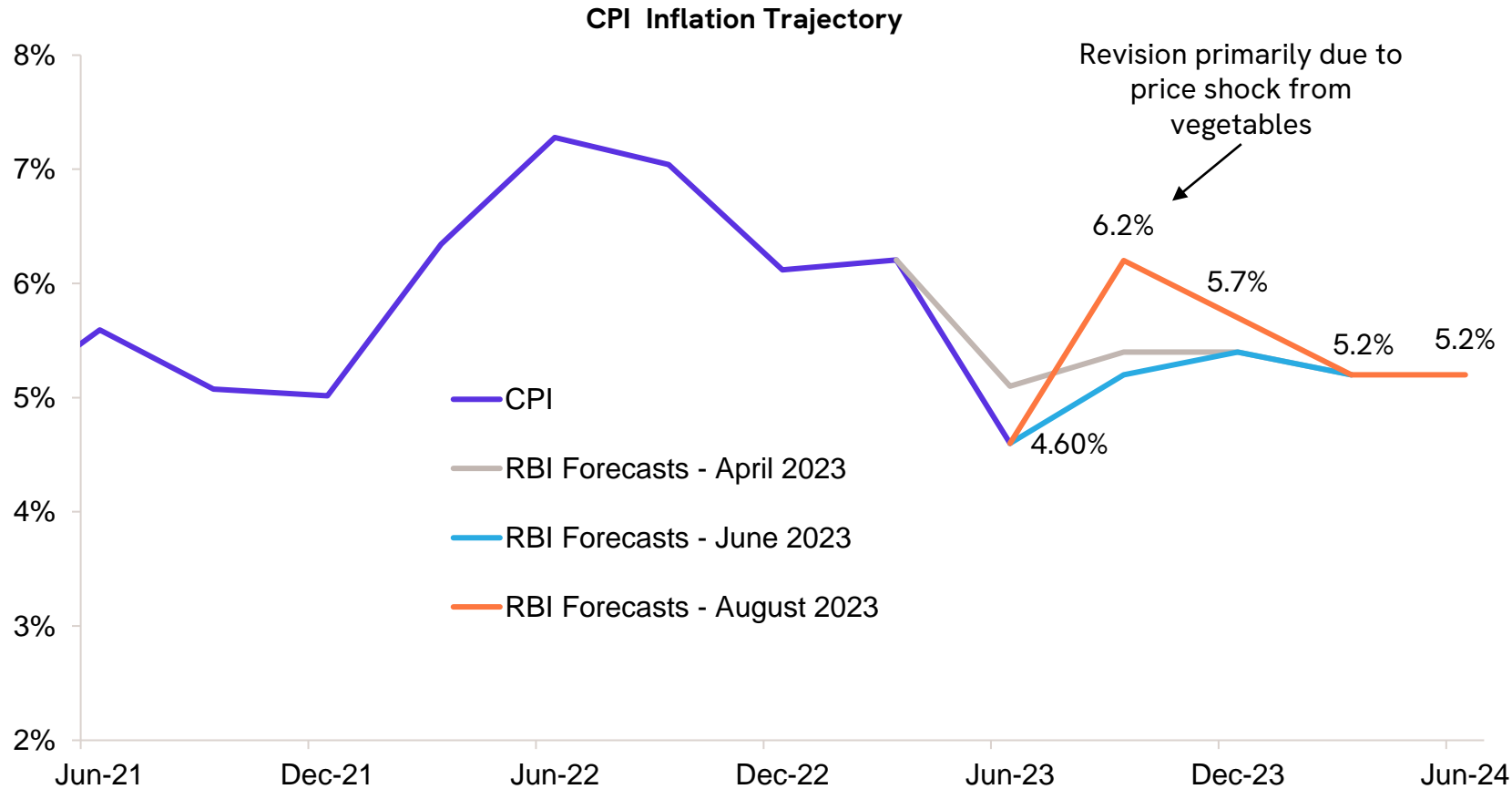


Source: MOSPI, RBI, 360 ONE Asset Research

Note: July 2023 CPI inflation internal forecast

RBI revises inflation trajectory significantly upwards

RBI projects average headline inflation of 5.4% YoY in FY24, up from 5.1% YoY in the last policy



RBI inflation outlook:

Spike in vegetable prices, led by tomatoes, would exert sizeable upward pressure on the near-term headline inflation trajectory. Vegetable prices, however, are likely to correct with fresh market arrivals

Significant improvement in the progress of monsoon and kharif sowing in July, but uneven rainfall distribution warrants careful monitoring

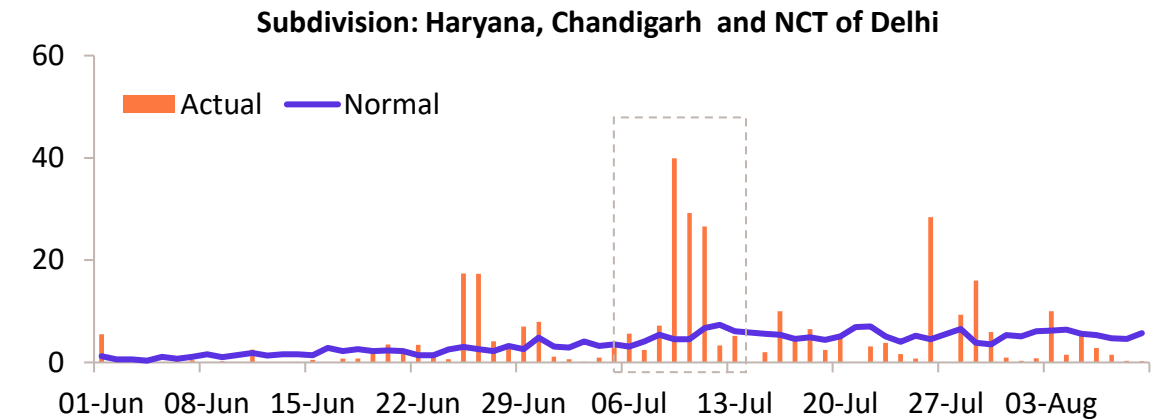
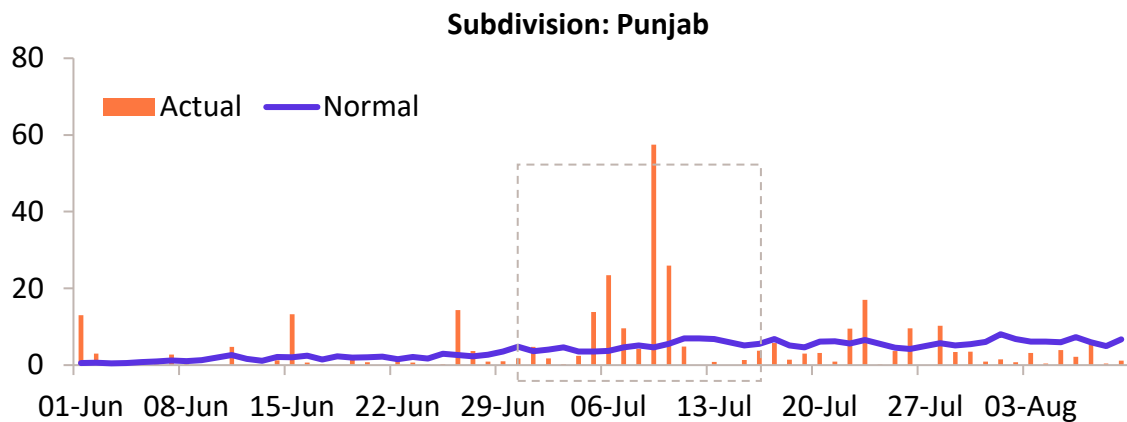
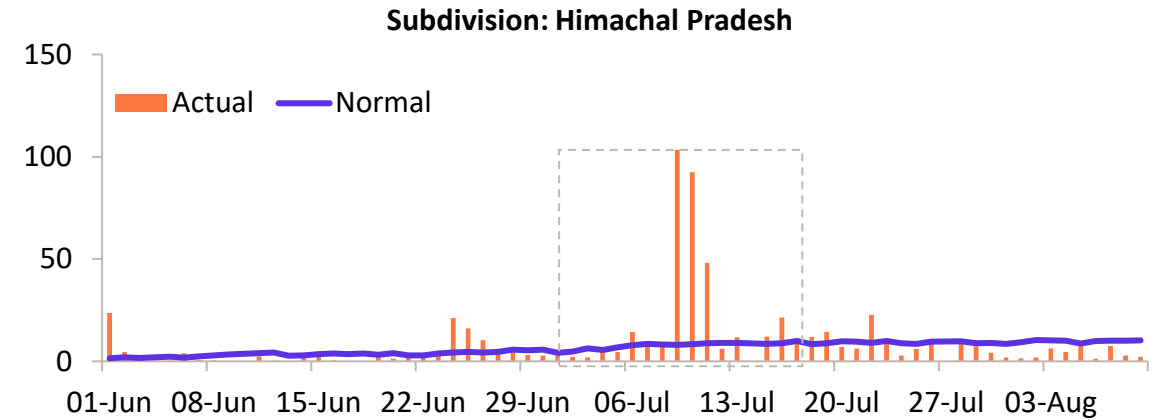
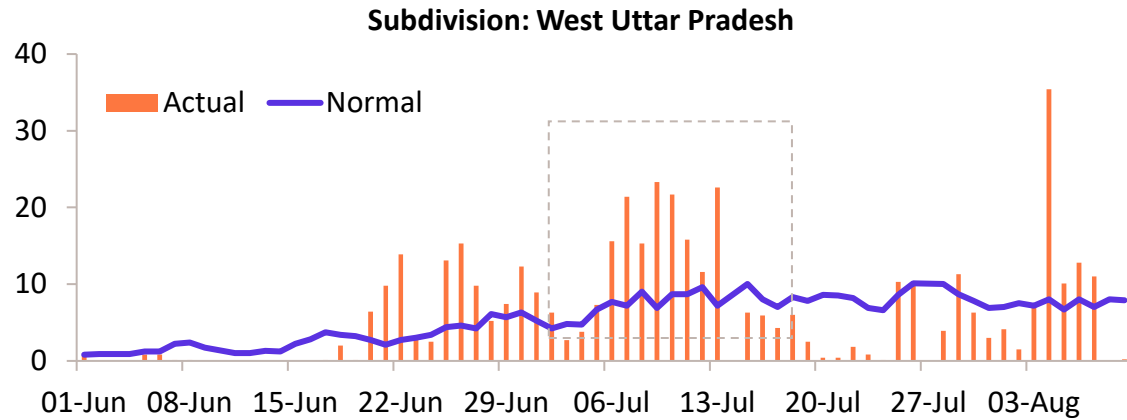
Manufacturing, services and infrastructure firms expect input costs to ease but output prices to harden

Upside risks from the impact of skewed monsoon, a possible El Niño event and upward pressures on global food prices due to geopolitical hostilities

Temporal and spatial distribution of monsoon has been uneven

Intense and concentrated rainfall in Northern India has resulted in the flooding of agricultural fields

Daily Average Rainfall



RBI retains FY24 GDP growth forecast at 6.5% YoY

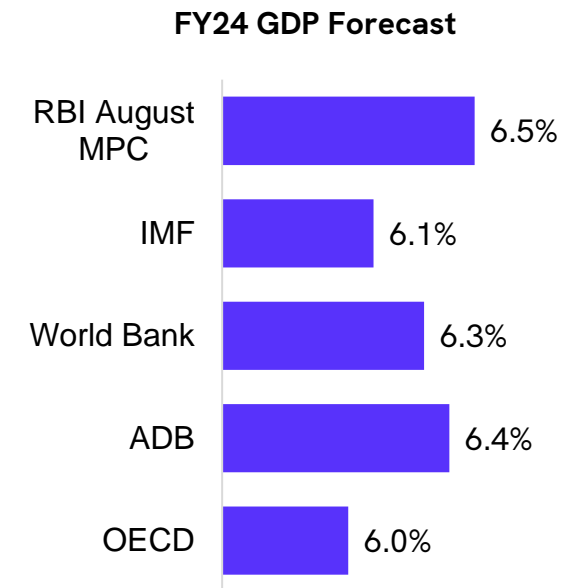
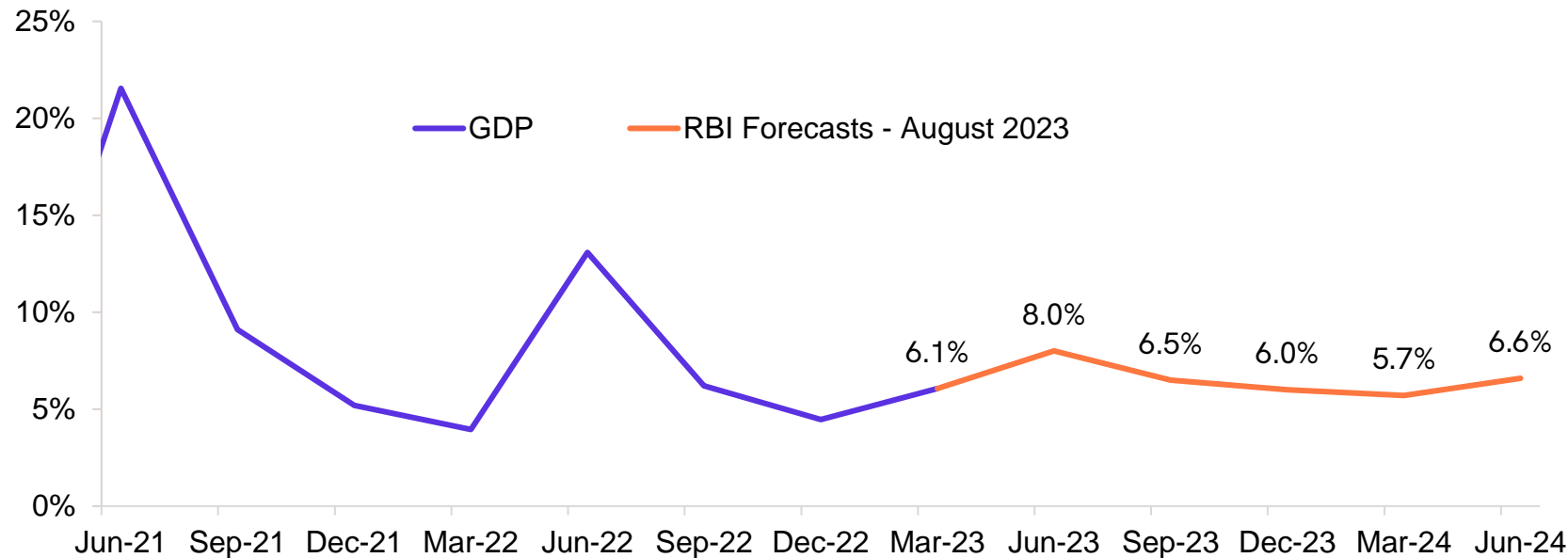
Economic activity holding up well, supported by domestic demand despite drag from weak external demand

RBI growth outlook:

Recovery in kharif sowing and rural incomes, the buoyancy in services and consumer optimism should support household consumption

Healthy balance sheets of banks and corporates, supply chain normalization, business optimism and robust government capital expenditure are favorable for a renewal of the capex cycle which is showing signs of getting broad-based

Headwinds from weak global demand, volatility in global financial markets, geopolitical tensions and geoeconomic fragmentation pose risks to the outlook



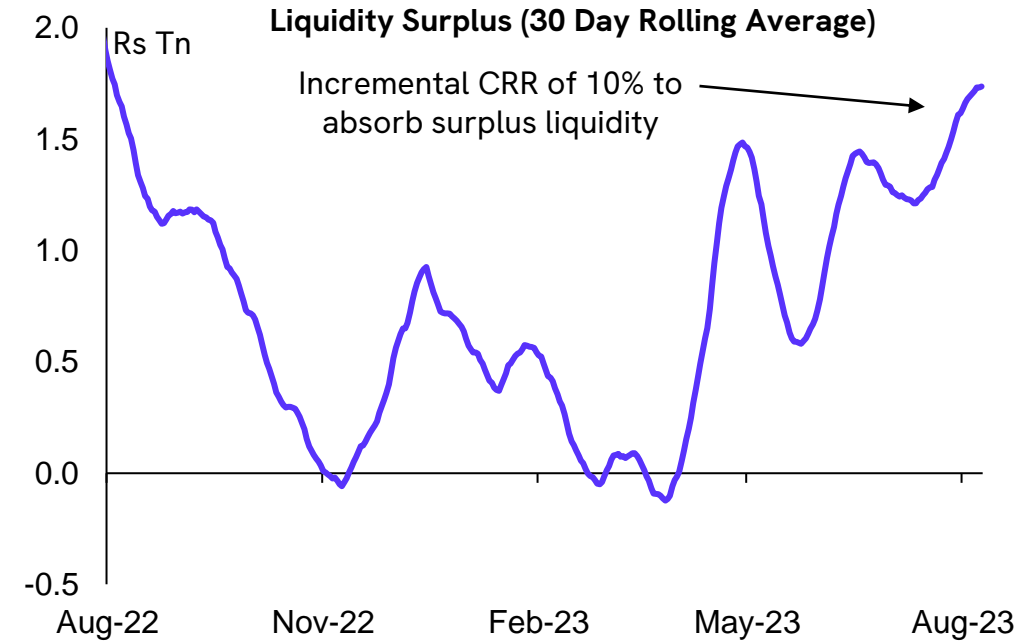
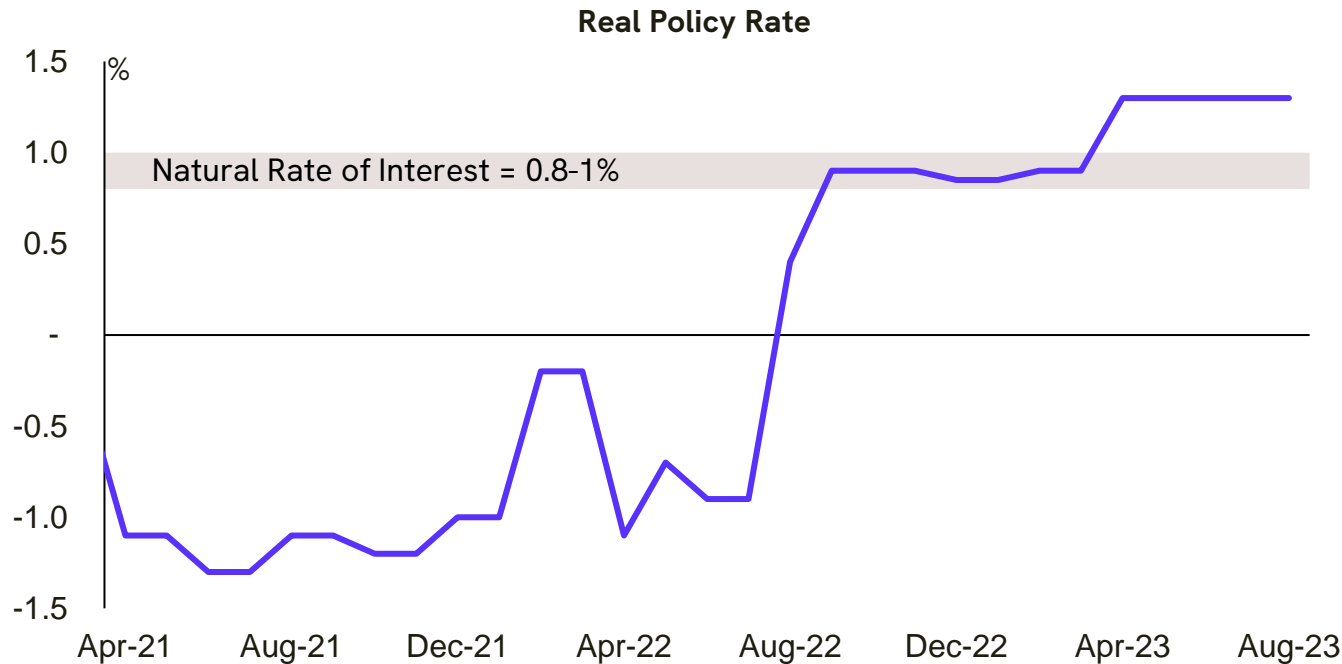
Source: MOSPI, RBI, CMIE, 360 ONE Asset Research

Outlook: RBI likely to maintain the repo rate at current levels in 2023

Recent increase in vegetable prices likely to be short lived, but uneven rainfall could impact kharif crop yields

RBI MPC expected to adopt a 'wait and watch' approach to assess the complete impact of the monsoon season on food inflation

Liquidity conditions improved on withdrawal of Rs 2000 denomination notes and RBI Fx intervention. However, conditions are expected to tighten on account of incremental CRR (expected impact above Rs 1 Tn) and higher currency demand around the festive season

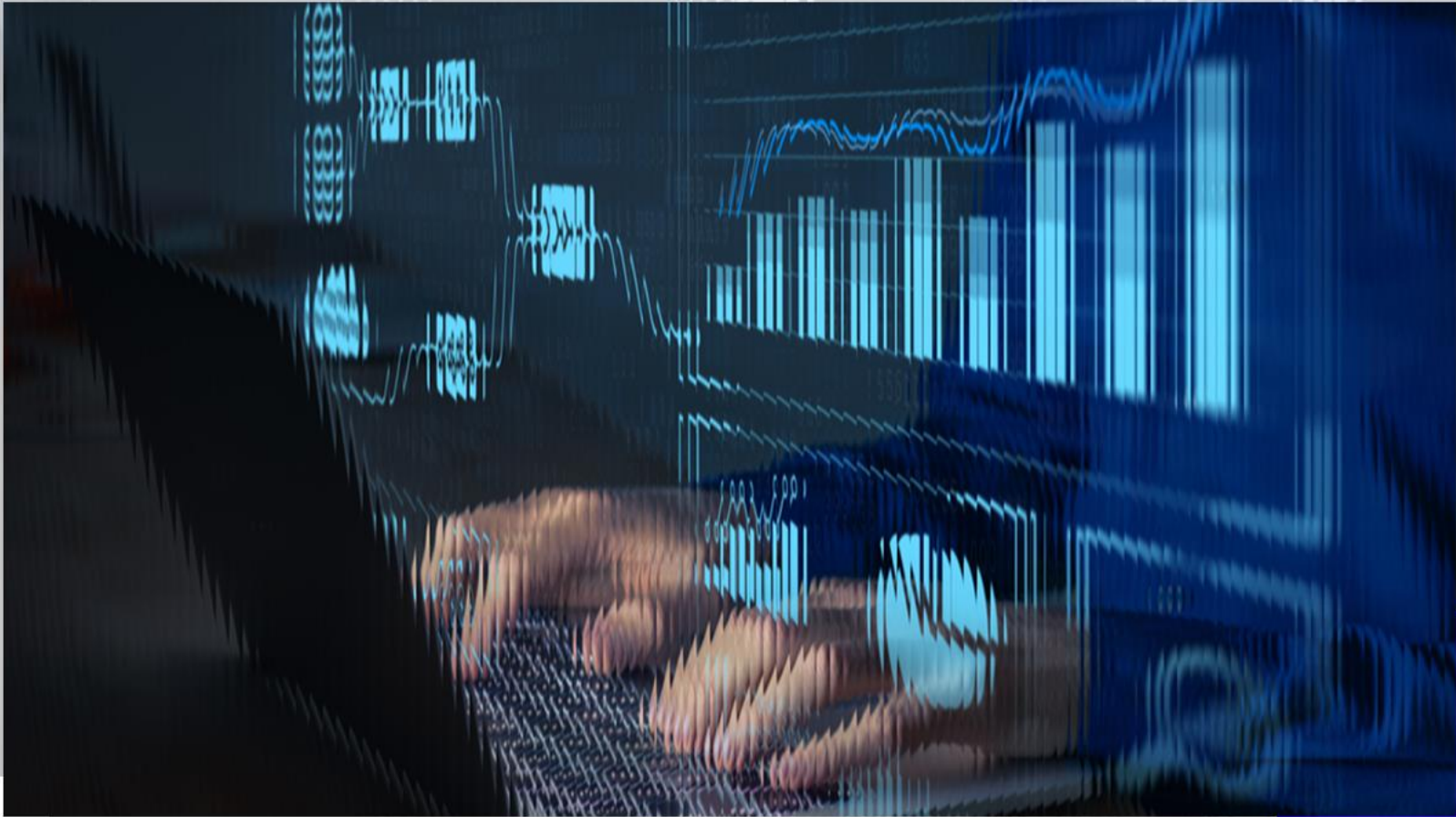


Note: The natural rate of interest—the real interest rate that neither stimulates nor contracts the economy
Revisiting India's Natural Rate of Interest (RBI Bulletin Jun'22) estimated natural rate for the post-pandemic period in the range of 0.8 to 1% for Q3FY22

Source: MOSPI, RBI, CMIE, 360 ONE Asset Research

Disclaimer

This document constitutes confidential and proprietary material and may not be reproduced or further distributed in part or full to any other person without the written permission of 360 ONE AMC. This document is the property of 360 ONE AMC and must be returned to 360 ONE AMC or its affiliates upon request. This document is provided for assistance only and is not intended to be used for taking investment decisions or otherwise. This document is not investment, legal, tax, or accounting advice. The recipients should also inform themselves, and should take appropriate advice, on the legal requirements and shall not rely on this document for any subscription, purchase, holding, exchange, redemption or disposal of any investments. The opinions expressed herein are the personal opinions of the author. Past Performance is not an indicator/guarantee of future returns. Investment in securities are subject to market risk. Whilst every care has been taken in preparing this document, 360 ONE AMC and its affiliates and agents to the fullest extent permitted by applicable law disclaim any liability or responsibility for any error or omission or inaccuracy or mistake of any nature or any consequences of the use of the material/ information displayed on this document. Notwithstanding the aforesaid, nothing set out above shall exclude liability for any undertaking, representation, warranty or other assurance made fraudulently. The information given in this document is not exhaustive and is subject to change without notice.



asset
360
ONE

