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RBI action double whammy for markets, expect more tightening in future: Analysts

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Written by **PTI**

May 4, 2022 6:07:26 pm

The six-member Monetary Policy Committee, which had an off-calendar meeting to deliver the actions, will hike the repo rate — at which the central bank lends to the system — by a further 0.50 per cent, multiple watchers said.

RBI's repo rate hike accompanied with an increase in the cash reserve ratio was a "double whammy" for the markets, and more such tightening moves can be expected from the central bank, analysts said on Wednesday.

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Referring to the over 2 per cent correction in the benchmark indices, Abhishek Goenka, chief executive of IFA Global, said there was a "bloodbath" in equities because of the "double whammy" delivered by Governor Shaktikanta Das.

"The market was expecting a rate hike by RBI but in a slower pace," he added, pointing to the discomfort on inflation as a key factor influencing the move. Rahul Bajoria, Chief India Economist at British brokerage Barclays, said he expects the RBI to go for at least a 0.50 per cent hike at the next scheduled meeting in early June to 4.90 per cent, and take a breather only when it touches 5.15 per cent.

"Looking ahead, given the hawkish rhetoric and high likelihood of an elevated inflation print for April, the RBI will be front-loading further hikes," he noted. Sujan Hajra, Chief Economist at Anand Rathi Shares and Stock Brokers, said he expects an immediate increase in money market rates and some transmission in the long-term bond market as well.

"The impact on the equity market is likely to be negative in the short-term," he added.

Ratings agency Care Ratings' Chief Economist Rajani Sinha said the hike in repo rate as announced by RBI was much required at this point in time.