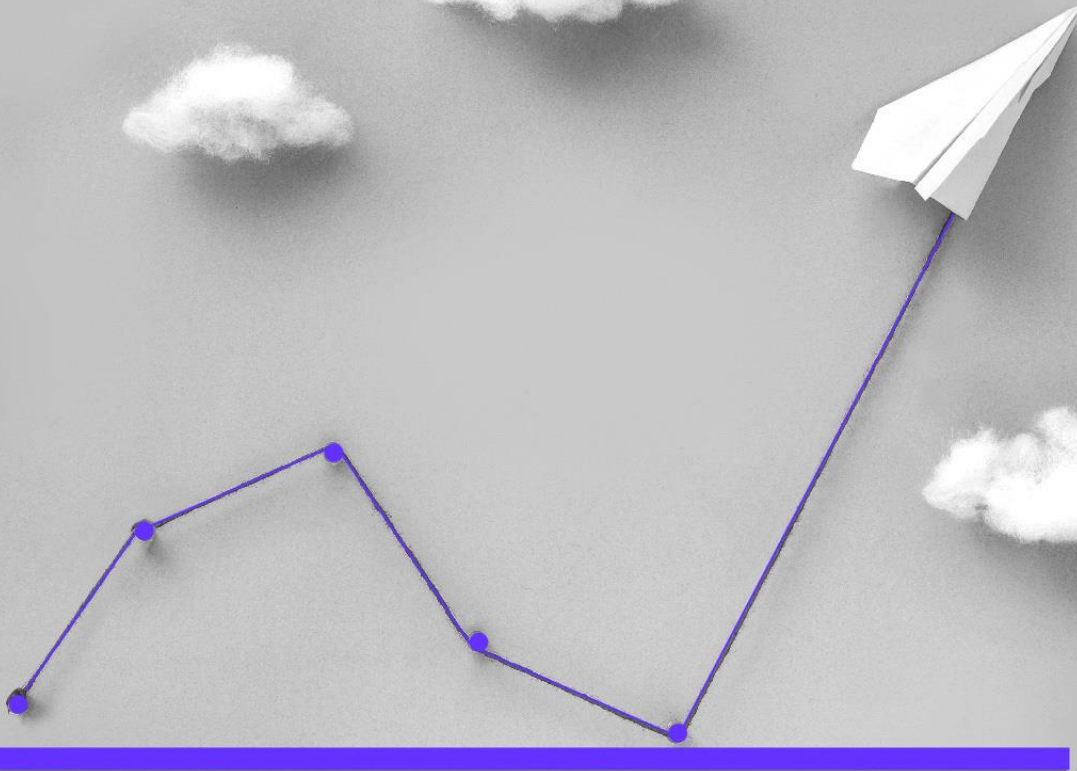


TRENDS & TIDES

**RBI MPC front-loads easing
with 50 bps repo rate cut in
June 2025;
shifts stance to 'neutral'**



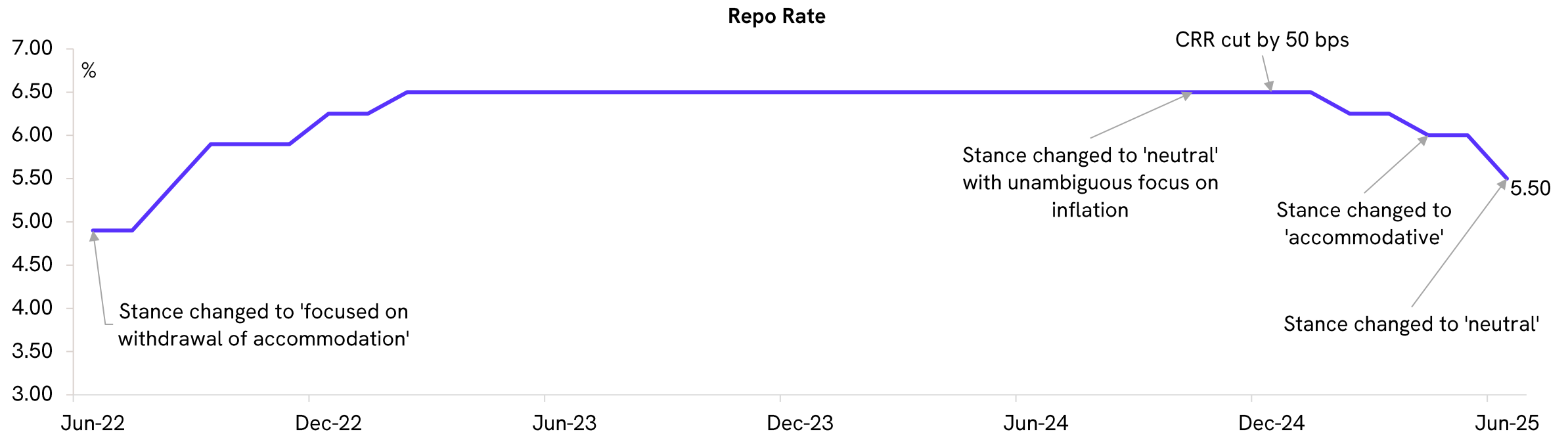
RBI front-loads rate cuts to support growth as inflation remains benign

RBI changes policy stance to 'neutral', signals limited room left for further easing

The RBI Monetary Policy Committee (MPC) has decided to reduce the policy repo rate by 50 basis points to 5.50% in the June 2025 policy

The MPC has also changed the policy stance to 'neutral' from 'accommodative', as monetary policy now has limited space to support growth

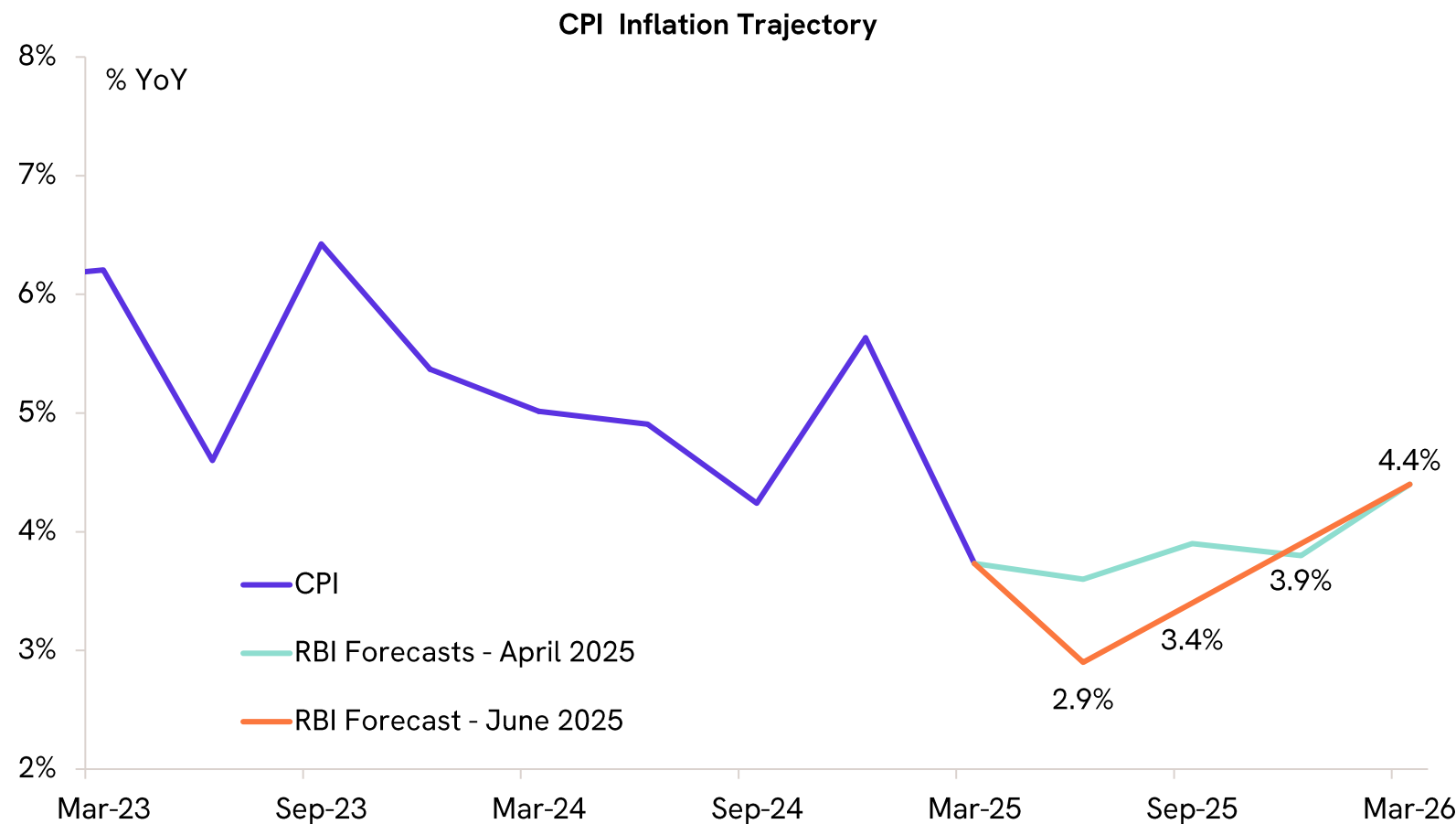
The RBI has announced a phased reduction in the Cash Reserve Ratio (CRR) by 100 bps to 3.0%, which would release liquidity of about Rs 2.5 lakh crore into the banking system by December 2025



Source: RBI, 360 ONE Asset Research

RBI lowers FY26 CPI projection to 3.7% YoY from 4.0% in the previous policy

The RBI appears confident of a durable alignment of inflation with the 4% target, with a slight undershoot likely this year



RBI inflation outlook:

The record wheat production and higher production of key pulses in the Rabi crop season should ensure an adequate supply of key food items

The likely above-normal monsoon, along with its early onset, augurs well for Kharif crop prospects

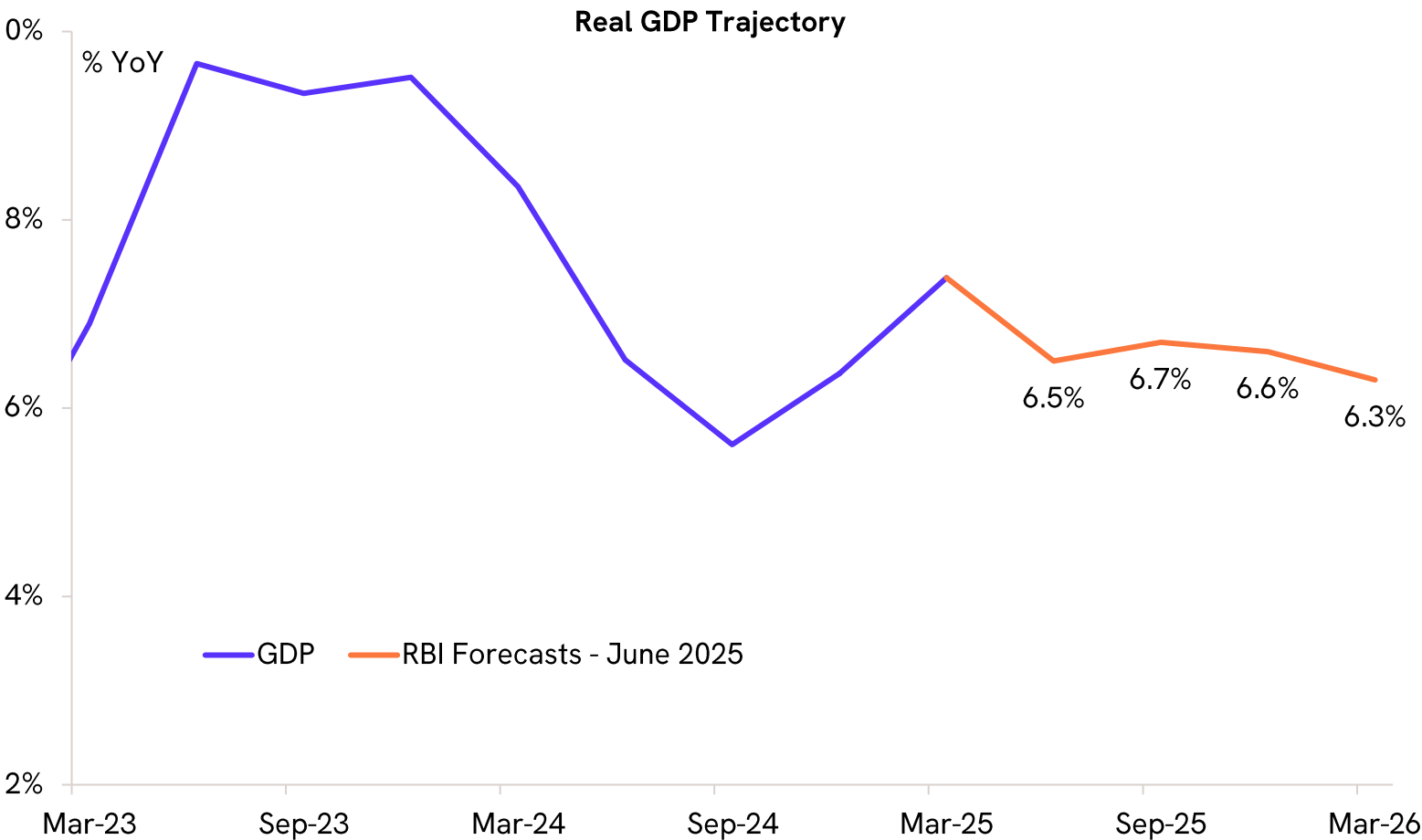
Inflation expectations are showing a moderating trend, more so for the rural households

Weather uncertainties and ongoing tariff issues pose risks due to their impact on global commodity prices

Source: MOSPI, RBI, 360 ONE Asset Research

RBI retains FY26 GDP growth projection at 6.5% YoY

Growth remains lower than the RBI's aspirations amidst a challenging global environment and heightened uncertainty



RBI growth outlook:

The sustained rural economic activity bodes well for rural demand, while continued expansion in the services sector is expected to support the revival in urban demand

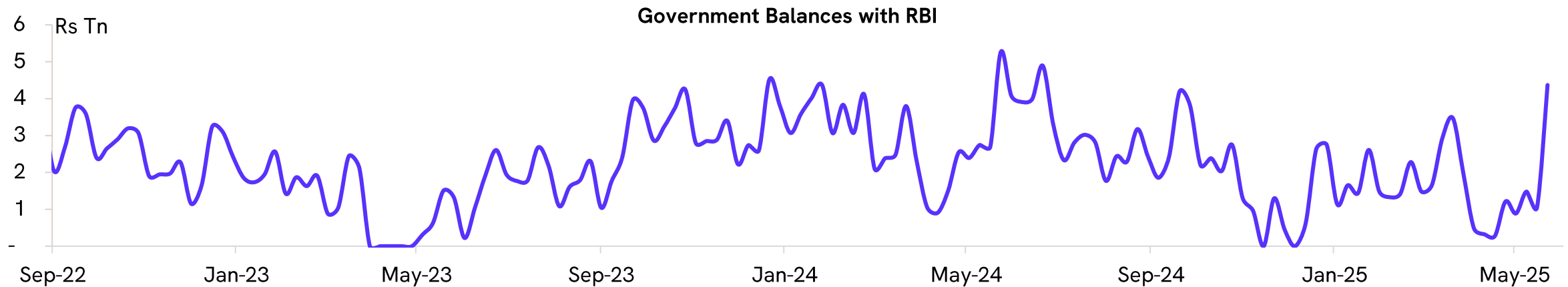
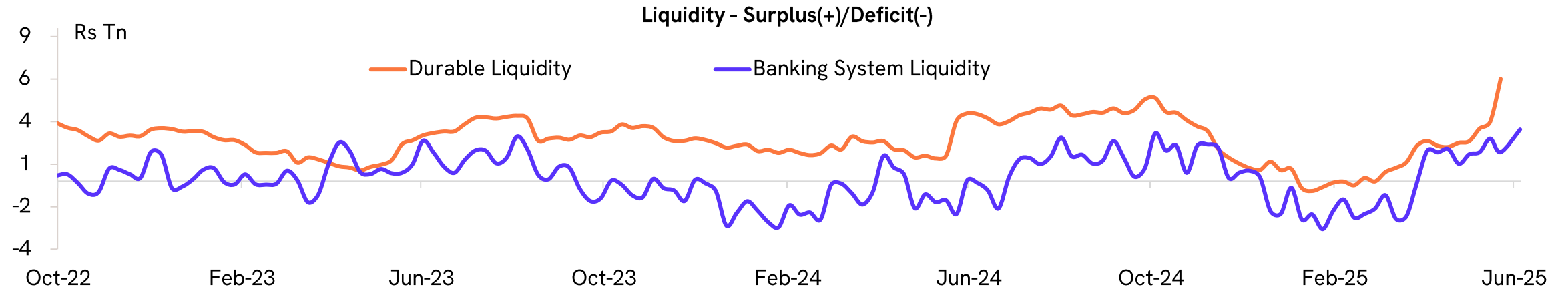
Trade policy uncertainty continues to weigh on merchandise export prospects, while the conclusion of a free trade agreement (FTA) with the United Kingdom and progress with other countries are supportive of trade activity

Agriculture prospects remain bright on the back of an above-normal south-west monsoon forecast

Spillovers emanating from protracted geopolitical tensions, and global trade and weather-related uncertainties pose downside risks to growth

Durable liquidity in heavy surplus due to OMOs and RBI dividend transfer

The phased CRR cut of 100 bps would infuse additional Rs 2.5 tn durable liquidity into the banking system by Dec'25

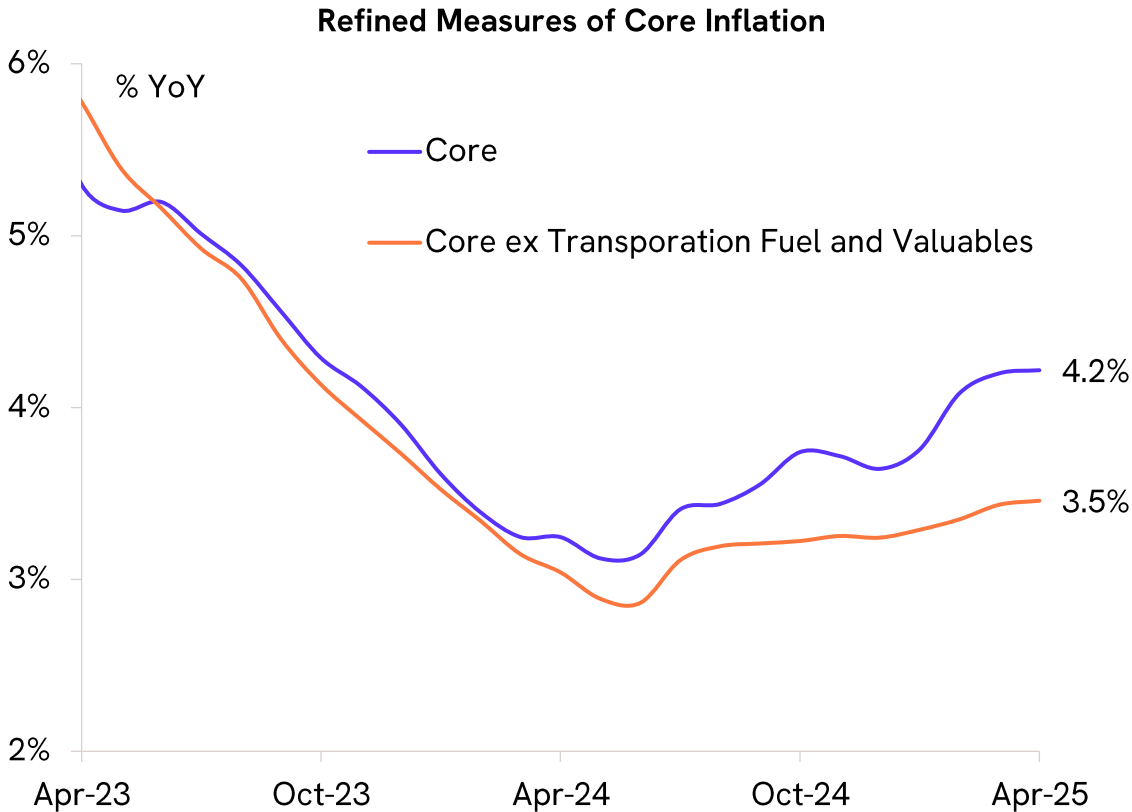
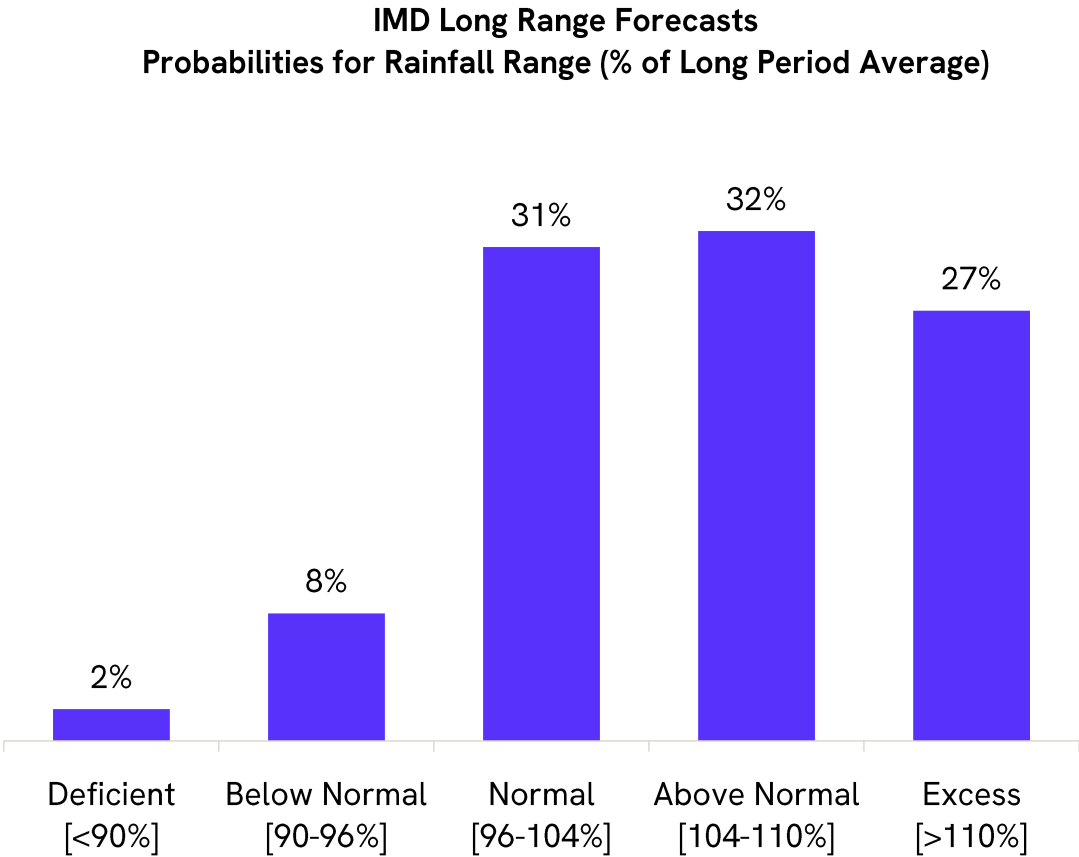


Outlook: RBI to adopt a ‘wait and watch’ approach in the near term

We see room for another 25 bps cut in the current cycle if growth risks intensify and the inflation outlook remains favourable

The IMD’s projection of an above-normal monsoon at 106% of the Long Period Average bodes well for the food inflation trajectory

Underlying inflation pressures remained subdued, as indicated by the refined measure of core inflation shown below



Source: CMIE, IMD, 360 ONE Asset Research

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