



RBI Monetary Policy - December 2017

Policy view

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RBI maintained a cautious outlook at the monetary policy while maintaining a status quo on rates with a majority 5-1 vote. There was no major deviation in RBI's observations on overall macro from the previous policy. Inflation trajectory for the second half has been projected at 4.3-4.7%, marginally higher from the last policy.

Notably, RBI appeared slightly accommodative on 'liquidity' and targeting 'neutrality' in liquidity by the first half of CY 2018. This leads us to believe that OMO sales are likely to be infrequent going forward. This is a boost to short term liquidity and the front end of the curve. Also a marginal positive for the bond market as secondary supply pressures should wane. **On the whole we would term the policy as 'neutral' without being incrementally negative.**

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