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RBI Monetary Policy Update

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Stability Amid Global Uncertainty

Prepared by Naik FinEdge Private Limited

What Did the RBI Decide?

Considering rising crude oil prices, tensions in West Asia, a weaker rupee, and global uncertainty – all of which can push up inflation, the Reserve Bank of India has kept the repo rate unchanged at and maintained its **neutral policy stance**.

Repo Rate

Unchanged at **5.25%**

Policy Stance

Neutral – balanced and flexible

Inflation Outlook

Revised **slightly higher**

Growth Forecast

Revised **modestly lower**

What This Decision Reflects

- Domestic inflation well-anchored – retail CPI at 3.48% in April, below the 4% target for over a year
- Flexibility to prioritise growth support over tightening
- Waiting to assess how higher energy prices and global uncertainty feed through before acting further

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Key Risks Flagged by the RBI

The RBI sees several near-term risks that could shift the outlook.

Rising Crude Oil Prices

- Benchmark crude prices are ~30% above pre-conflict levels
- High oil prices could lift fuel costs and imported inflation

Weaker Rupee

- The rupee has weakened ~6% against the US dollar in 2026
- A weaker currency makes imports costlier and adds inflation pressure

West Asia Geopolitical Tensions

- Conflict in West Asia raises risks to oil supply chains
- The Strait of Hormuz remains a key flashpoint for markets

Monsoon & Weather Uncertainty

- A weaker monsoon or El Niño could hit food supply
- Food inflation could rise from supply-side shocks

Global Growth Uncertainty

- Global growth remains uncertain
- The RBI is keeping options open on rates

A Notable Move for Foreign Investors

- FPIs are now exempt from tax on capital gains and interest income earned through specified Government Securities (G-Secs)
- This makes Indian bonds more attractive to global investors
- Expected to increase foreign capital inflows, support the rupee, and enhance market liquidity

What Does This Indicate?

- 💰 Attracting long-term foreign capital into India
- 🏛️ Strengthening India's financial markets
- 🛡️ Maintaining currency stability amid global uncertainty

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What Does This Mean for Investors?

📈 Equity Investors

- RBI delivered stability – broadly in line with market expectations
- Markets flat post-announcement; good news already priced in

🏦 Debt / Bond Investors

- FPI tax exemption on G-Secs supports bond market stability
- Supportive environment for debt over the medium term

🏷️ Fixed Deposit (FD) Investors

- Rates unchanged – no meaningful rise in FD rates near term
- Expect stability, not higher interest income immediately

🏠 Borrowers (Home / Car / Personal Loans)

- No change to EMIs
- Lending rates expected to stay broadly stable

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