

Chances of Nifty slipping to 8000 is high if RBI does not cut rates next week: Experts

By *Kshitij Anand*, [ECONOMICTIMES.COM](#) | 28 May, 2015, 04.12PM IST

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NEW DELHI: In the absence of positive triggers, Indian market have been moving in a range in the past couple of weeks. But all eyes are now on the upcoming Reserve Bank of India's policy meet on June 2.

[ET Now](#) and [IPSOS](#) carried a survey of brokers and fund managers last week to understand the market mood after the recent sharp fall. Almost 43 per cent of brokers and fund managers expect the RBI to cut rates by 25 bps.

A poll conducted by [Reuters](#) also suggested that the central bank is likely to cut its benchmark interest rate by 25 basis points to 7.25 per cent when it meets early next week, and make a similar move before December.

With expectations running high ahead of the RBI policy, market participants are hopeful that the RBI would be able to slash key policy rates on the back of benign [inflation](#) and weak industrial growth data, say experts.

A 25-bps cut would be a favorable move for the market and could boost the sentiments for few sectors such as engineering and capital goods, infra, and power. But will the RBI oblige? That remains to be seen.

Indeed, a rate cut by the RBI would be a welcome move, but a section of analysts believes that RBI may not cut rates on June 2.

"I believe that Mr Rajan would not reduce the rates on 2nd June, as it could make two impacts in the long run," says Tushar Pendharkar, Head of Research at Right Investment Advisory Services.

"RBI has reduced rates by 50 bps in two tranches in year 2015 and another rate cut in less than 180 days could send a wrong signal for Indian economy. Foreign investors could consider that the [Indian economy](#) is in pressure and thus reducing rates," he adds.

Pendharkar is of [the view](#) that the first two rate cuts are yet to reflect their effects in economy. "Thus, I believe that Mr Rajan would wait this time."

Vikas Gupta, EVP & [Fund Manager](#), Arthveda Fund Management Pvt Ltd is of the view that market expect a 25-bps rate cut from RBI and will probably be satisfied with that.

"However, in our opinion, it is less likely that RBI will go in for such an action. RBI might hold things steady for a while and only move with a rate cut on specific indicators satisfactory to RBI of a sustained downturn in inflation," he adds.

Impact on market - [Nifty](#) may slip towards 8000 levels:

If the Reserve Bank of India stands pat on rates, then there is a strong possibility that the markets may slip further and Nifty may even slip towards 8000-8100 levels in the near term.

"In case RBI does not take any measures on boosting liquidity in its policy statement next week, we might head lower. Even a repo rate cut might not help much and we might actually see lower levels below 8000," says Sandip Sabharwal, [asksandipsabharwal.com](#).

"Globally also, things are not looking as bright, so I hope we can avoid a 2008-like meltdown which happened in May-June. Hopefully, we can do that and if we do, then 7800 odd should be the bottom for the market," he adds.


The RBI has already cut rates twice this year as inflation fell within its comfort zone but left them unchanged in April as it waited to assess inflationary pressures and to give banks more time to reflect the earlier cuts in their lending rates, Reuters said in a report.

"I do not think any trigger is there, at least for the next one month or so. In terms of RBI policy, which is there next week, my own sense is



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that RBI will cut 25 bps on 2nd June, but if there is no cut, we can see a sharp dip in the market," says Piyush Garg, EVP & CIO, ICICI Securities Ltd.

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