

# Sensex Climbs On RBI Rate Cut Hopes, Reduction In Banks' Bad Loans

HuffPost India | By [Anirvan Ghosh](#)

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The benchmark Sensex hit a week's high on speculation that the central bank might cut rates, and banks reported a drop in bad loans.

The S&P BSE Sensex rose 92.5 points in intraday trade at 3 pm Monday. ICICI Bank said on Friday that the growth in troubled loans has slowed in the banking sector, and reported profits that beat estimates. That news, combined with finance minister Arun Jaitley's plan to infuse nearly \$2 billion in state-owned banks, led to 1.4 percent gain in the Bank Nifty.

"Fundamentals warrant a rate cut. India is the only one which is not cutting rates sufficiently despite a deflationary scenario in the world," said [G. Chokkalingam](#), founder of Equinomics, a Mumbai-based research and fund advisory firm said.

State Bank of India rose 4.4 percent, a two-month high, and ICICI Bank continued its good run for the fourth day, rising 2.1 percent. Union Bank of India rose 4.5 percent, while Bank of Baroda jumped 6.5 percent.

"The stage is set for a 25 basis points rate cut," [Vikas Gupta](#), an executive vice president at Arthveda, said by phone from Mumbai. "Inflation numbers are within the central bank's comfort level and the monsoon has been quite okay."

Inflation fell to 5.4 percent in June, compared with 8.6 percent in January. Global prices of Brent crude are down 51 percent since last year, and monsoon rains have been normal. Both factors, which indicate subdued inflation in the near term, have prompted hopes that Reserve Bank governor Raghuram Rajan might cut rates for a fourth time this year in the bank's review meeting on August 4.

Most economists said [in a poll](#) that they expect Rajan to stick to current rates. The governor had said in June that risk of deficient rains and external volatility might put upward pressure on inflation.

Maruti Suzuki rose 2.2 percent to an all-time high, on a 20.1 percent increase in quarterly sales over the same period last year. Tata Motors also climbed 2.2 percent after sales rose 22 percent in July. Among the losers were stocks of Hero Motor Corp., down 2.5 percent on expectations of a weaker profits, and Larsen & Toubro, which lost 1.8 percent after its profits declined 22 percent in results that came out after Friday's close.

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