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Key Highlights - RBI Announcements

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- The **RBI will deploy all resources at its disposal** to counter the impact of the virus.
- **2nd G-SAP** to be conducted on 20 May 2021 of Rs. 35,000 cr.
- **Term liquidity facility of Rs. 50,000 cr** to ease access to **emergency health services**.
- **Resolution Framework 2.0** for individual, small businesses, MSMEs
- **“Foreign exchange reserves** were at US\$ 588 billion on April 30, 2021. This gives us the confidence to deal with global spill overs.”
- **“Committed to go unconventional** and devise new responses as and when the situation demands.”

In an unscheduled address, RBI Governor Shaktikanta Das laid out the contours of a new range of measures to counter the pandemic and **expressed full confidence in Indian resilience against the deadly pandemic**. To strengthen all stake holders in the India's fight against Corona, the RBI Governor announced various measures to equip public in general, Indian banks, industries and other stake holders.

View on the Economy

- As the **Financial Year 2020-21** was drawing to a close, the Indian economy was **advantageously poised**, relative to peers. But the situation has **drastically changed now**, although India has mounted a valiant challenge.
- **Impact on demand will be moderate** because businesses have learnt to survive despite restrictions and containments.
- Aggregate supply conditions underpinned by **strength of agriculture sector**.
- **Good monsoon** expectation to keep rural demand strong.
- **Don't expect any broad deviations from inflation** projections made in April.
- **The RBI will deploy all resources at its disposal** to counter the impact of the virus.
- Domestic financial conditions remain easy owing to **ample liquidity**.

Key Measures Announced

- RBI to make **2nd purchase of G-secs worth Rs 35,000 cr** under G-SAP 1.0 on 20 May 2021.
- To ease access to **Emergency Health Service**, the RBI announced and boost provision of immediate liquidity for ramping up COVID related healthcare infrastructure and services in the country, an **on-tap liquidity window of Rs. 50,000 crore** with tenors of up to three years at the repo rate is being opened till March 31, 2022.
- Opening of the **2nd window** to individual, small borrowers having up to Rs. 25 cr loans for **restructuring loans**.
- **Rationalisation of KYC compliance** norms enabling video-based KYC for certain categories.
- Ease in rules for availing **overdraft facility for state governments** up to September 30, 2021.
- Rs. 10,000 cr allocation for **small finance banks** under Special LTRO.

Summary

The Governor highlighted that though **global economies are showing signs of recovery** but the outlook for global growth is still uncertain and activity remains uneven across countries and sectors. The **CPI inflation** also remains benign across the major economies and financial markets have also **regained momentum in April**.

Domestically the **high frequency indicators are emitting mixed signals** but RBI doesn't expect any major deviations from the projections for the economy made in April MPC.

With **sufficient liquidity in the system and comfortable foreign exchange reserves** RBI is now focussing on channelizing its liquidity operations to support growth which is evident in the steps taken by RBI for additional liquidity for healthcare services / small finance banks / opening of second window for restructuring.

All these measures and the tone of the RBI should support both the equity and debt markets going ahead. Bond markets reacted positively to RBIs announcements with the **10 year Gsec yields falling below 6% for the first time since December 2020**.

Investing Outlook

Despite no indications of rate hikes domestically in near term we continue to maintain our stance of investing in shorter end of the curve through MF categories like **Low Duration / Floating Rate Funds**.

Good quality **Corporate Fixed Deposits** also appear to be an attractive option for **1-2 years horizon**.

For **longer term investments Short Term Funds / Corporate Bond Funds** continue to be our preferred categories.

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