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## Macroeconomic indicators - RBI may need to drain cash

*Tuesday, 12 Jan, 2010*

According to Mr C. Rangarajan chairman of the prime minister's economic advisory committee, Reserve Bank of India may stay short of increasing policy rates now but may have to drain out some excess cash to tame inflation pressures.

He said that the most traded 6.35% 2020 federal bond yield edged higher on the possible increase in cash reserve ratio comment, but quickly dropped to the day's low of 7.59% after the Reserve Bank of India may not raise interest rates now.

The RBI is set to announce its review of monetary policy on January 29.

Mr Rangarajan said that "Some monetary action is called for and I would say some reduction in liquidity may be warranted. I do not think any change in policy rates is required at the moment but some reduction in liquidity may bring about some moderation in price expectations."

(Sourced from Indianexpress.com)

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