

India Morning Newsletter

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Wednesday, February 1, 2023

Earnings Roundup

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The Indian government's last full **Union budget**, before the general elections in 2024, will be the spotlight for domestic market participants. Besides the government's fiscal consolidation path and borrowing calendar for fiscal 2024, traders will watch for any incentives to entice foreign investors. In another major focus, global investors await the U.S. **Federal Reserve's** policy decision later in the day, with the central bank widely expected to scale back rate hikes to 25 basis points (bps) from 50 bps in December. **Manufacturing PMIs** from **India** and the **United States**, along with the U.S. **monthly Job Openings and Labor Turnover Survey**, will also be part of the day's busy economic calendar. Meanwhile, the Indian government will aim to raise an aggregate of 290 billion rupees through the sale of 91-day, 182-day and 364-day **Treasury bills**. On the earnings front, **Ashok Leyland**, **Britannia Industries** and **Tata Chemicals** are among the Indian companies due to report their results. The **rupee** recorded its steepest drop in about two months on Tuesday, while **government bond yields** ended lower. **Indian shares** closed higher, while most **Adani Group** stocks rebounded from their recent slide with its flagship firm's \$2.5 billion share sale fully subscribed.

FACTORS TO WATCH

- The Indian Prime Minister **Narendra Modi**-led government will unveil its last full **budget** before the next general elections. The budget is likely to focus on macroeconomic stability and reduce subsidies, as the pandemic has left little room for the government to announce populist measures common a year before general elections. Modi's budget will likely give itself long term development goals in its effort to please its voter base.
- 10:30 am **S&P Global Manufacturing PMI** for Jan: Expected 57.4; Prior 57.8

STATE OF THE MARKETS

Indian shares are set to open higher ahead of the Union budget, as investors look for major triggers for the near-term trajectory of the market.

Indian government bond yields are expected to open largely unchanged as market participants await the federal budget announcement due later in the day. The benchmark 10-year yield could move in the 7.26%-7.45% range.

The **Indian rupee** is likely to open higher versus the dollar, helped by the decline in Treasury yields following weak U.S. data. The rupee is expected to be around 81.75-81.80 per U.S. dollar at open, compared with 81.92 in the previous session.

Major **U.S. stock indexes** closed over 1% higher on Tuesday as labor cost data encouraged investors about the Federal Reserve's aggressive approach to taming inflation a day ahead of the central bank's critical policy decision.

Asia's stock markets steadied, with signs of a slowdown in U.S. wages bolstering hopes that the Federal Reserve could hint at an end to interest rate hikes at its meeting later in the day.

The **dollar** was broadly flat against major currencies after easing in the previous session following U.S. data that showed moderating wage pressure, with investors keenly awaiting the conclusion of a Federal Reserve policy meeting.

Benchmark 10-year **Treasury yields** inched down from two-week highs on Tuesday following economic data that showed slowing wage growth and a cooling housing market, while shorter-term yields were on pace for their largest monthly decline in nearly three years.

Oil prices climbed underpinned by a weaker dollar, which fell on signs of slowing inflation in the United States, easing fears that the world's largest oil user may face a recession because of further interest rate hikes.

Gold prices edged lower, as investors refrained from taking big bets ahead of the U.S. Federal Reserve's interest rate-hike decision due later in the day.

Markets	Last	Change	YTD change
SGX Nifty futures	17,849.50	0.56%	-
Nifty volatility	16.88	-0.05%	-
Nikkei	27,411.27	0.31%	5.05%
Hang Seng	21,773.10	-0.32%	10.07%
S&P 500 e-mini futures	4,076.25	-0.34%	-
CBOE volatility	19.40	-2.71%	-
USD/INR	81.92	0.52%	-0.97%
Spot gold	\$1,924.97 /oz	-0.15%	5.51%
Brent crude	\$85.53 /bbl	0.08%	-0.44%
Indian 10-year bond yield	7.3430%	-0.78 bps	0.22 bps
U.S. 10-year Treasury yield	3.5032%	-0.73 bps	-8.56 bps

FII & DII Trading Activity in Equities Jan 31	Buy	Sell	Net
Domestic Institutional Investors (DII) in INR	109.74 bln	64.68 bln	45.06 bln
Foreign Institutional Investors (FII) in INR	147.76 bln	202.16 bln	-54.40 bln

(Source: National Stock Exchange of India Ltd.)

INDIA TOP NEWS**Indian budget likely to push spending to support growth, while lowering deficit**

Presenting its annual budget to parliament, India's government will seek to lower its fiscal deficit while offering incentives for investment and stepping up state spending to support an economy that is caught in the global slowdown.

Adani secures \$2.5 billion share sale amid short-seller storm

Gautam Adani's crucial \$2.5 billion share sale was fully subscribed on Tuesday as investors pumped funds into his flagship firm, despite a \$65 billion rout in the Indian billionaire's stocks sparked by a short-seller's report.

P&G Hygiene and Health Care posts dip in Q2 profit as costs jump

India's Procter & Gamble Hygiene and Health Care on Tuesday reported a drop in second-quarter profit, hit by higher cost of commodities and a slowdown in the broader fast-moving consumer goods (FMCG) sector in the country.

ACC Q3 profit plunges on higher costs, stagnant volumes

Adani Group-owned ACC on Tuesday reported a more than 60% drop in quarterly profit on higher costs, flat cement prices and stagnant volume growth.

Jindal Steel and Power says enquiries from European buyers on the rise

Jindal Steel and Power Ltd (JSP) has received a flurry of enquiries from European buyers seeking finished steel products, indicating an uptick in exports in the current quarter through March, a senior company executive said on Tuesday.

GLOBAL TOP STORIES**China's Jan factory activity contracts at slower pace amid COVID infections - Caixin PMI**

China's factory activity shrank more slowly in January after Beijing lifted tough COVID curbs late last year which helped ease pressure on manufacturers though infections among workers hampered production, a private sector survey showed on Wednesday.

Fed officials see lots of room to shed bonds from balance sheet

Federal Reserve officials believe their effort to shrink the U.S. central bank's bond holdings is far from done, pushing back against some economists' idea that dwindling financial sector liquidity would bring the drawdown to a close in coming months.

Biden White House, McCarthy dig in ahead of debt meeting

U.S. President Joe Biden and House of Representatives Speaker Kevin McCarthy won't come to their first meeting over raising the debt ceiling with any specific proposals to stave off a possible default, both sides indicated on Tuesday.

COMPANIES REPORTING RESULTS

Ashok Leyland Ltd: Q3 2023 earnings release

Britannia Industries Ltd: Q3 2023 earnings release

Jubilant Foodworks Ltd: Q3 2023 earnings release

Tata Chemicals Ltd: Q3 2023 earnings release

Timken India Ltd: Q3 2023 earnings release

CORPORATE EVENTS

Cholamandalam Investment and Finance Company Ltd: Q3 2023 earnings conference call

Jubilant Foodworks Ltd: Q3 2023 earnings conference call

KPIT Technologies Ltd: Q3 2023 earnings conference call

Shriram Finance Ltd: Q3 2023 earnings conference call

PICTURE OF THE DAY



India's Prime Minister Narendra Modi speaks with the media inside the parliament premises upon his arrival on the first day of the budget session in New Delhi, January 31. REUTERS/Adnan Abidi

(Compiled by Aishwarya Upadhye in Bengaluru)

For questions or comments about this report, contact:
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