

India Morning Newsletter

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Domestic markets continue to consolidate displaying resilience as investors search for solid directional cues amid adverse global signs. Focus now turns towards the **Reserve Bank of India's** policy decision, due on Friday, while **services sector** data releasing later in the day could act as a catalyst for the markets. U.S. Federal Reserve chief **Jerome Powell's** cautious remark that policymakers can take their time deliberating over when to deliver their first rate cut could also play on investors' minds. **Indian benchmark indexes** ended the previous session little changed as gains in **information technology stocks** offset concerns over a possible delay in U.S. rate cuts. According to Saurabh Jain, assistant vice president of research, retail equities at SMC Global Securities, the Indian market is in a sweet spot and is likely to duck any major selling pressure as domestic inflows are cushioning any foreign outflows. The **Indian rupee** ended the last session at a record closing low laden by dollar demand from local oil companies and weakness in its Asian peers, while **government bond yields** held steady.

FACTORS TO WATCH

- 10.30 am **HSBC Services - Business Activity** for March: Expected 60.6; Prior 60.3
- 10.30 am **HSBC Composite Final PMI** for March: Prior 61.3
- The NSE has added **Steel Authority of India** and **Zee Entertainment Enterprises** to its Futures & Options ban list, while retaining **Hindustan Copper**

STATE OF THE MARKETS

Indian shares are set to open higher as markets track a rebound in Asian peers, supported by sustained retail inflows, ahead of the Reserve Bank of India's monetary policy decision later this week.

Indian government bond yields are expected to be largely unchanged in early trade, with the focus on the Reserve Bank of India's first monetary policy decision of this financial year, while U.S. Treasury yields also remained flattish. The yield on the benchmark 10-year is likely to trade in a 7.08%-7.12% range, following its close of 7.1030%.

The **Indian rupee** may drop to a record low at open even as U.S. Federal Reserve's Jerome Powell signalled that there was room for rate cuts this year, spurring a drop in the dollar index. Non-deliverable forwards indicate rupee will open at around 83.46-83.48 to the U.S. dollar compared with 83.4350 in the previous session and weaker than the 83.45 record low hit last Wednesday.

The **S&P 500** and **Nasdaq** closed higher on Wednesday after data showing the U.S. services industry growth slowed further in March, but the advance was limited after Federal Reserve Chair Jerome Powell indicated a cut in interest was still not in sight.

Asian shares rallied as U.S. rate cuts remained on the menu, even if their timing was unclear, while the yen slid against everything except the dollar and boosted Japanese stocks.

The **dollar** was pinned beneath recent peaks with traders taking remarks from Federal Reserve Chair Jerome Powell as reassuring on the likelihood of interest rate cuts this year while waiting for the latest U.S. labour market readout.

U.S. Treasury yields slipped from multi-month highs as Federal Reserve Chair Jerome Powell pointed out that recent upbeat data has not changed the overall picture for monetary policy, with interest rates still expected to fall this year.

Oil prices rose on concerns of lower supply as major producers are keeping output cuts in place and on signs of stronger economic growth in the U.S., the world's biggest oil consumer.

Gold surged as Federal Reserve Chair Jerome Powell underlined that recent job gains and higher-than-expected inflation readings do not significantly alter the overall picture of the central bank's monetary strategy.

Markets	Last	Change	YTD change
GIFT Nifty 50	22,597.50	0.19%	-
Nifty volatility	11.37	-2.40%	-
Nikkei	40,112.22	1.67%	19.87%
Hang Seng	16,725.10	-1.22%	-1.89%
S&P 500 e-mini futures	5,276.75	0.19%	-
CBOE volatility	14.33	-1.92%	-
USD/INR	83.44	0.06%	0.27%
Spot gold	\$2,300.21 /oz	0.05%	11.52%
Brent crude	\$89.56 /bbl	0.24%	16.25%
Indian 10-year bond yield	7.1040%	-0.40 bps	-7.20 bps
U.S. 10-year Treasury yield	4.3572%	-0.78 bps	49.72 bps

FII & DII Trading Activity in Equities Apr 3	Buy	Sell	Net
Domestic Institutional Investors (DII) in INR	130.37 bln	119.35 bln	11.02 bln
Foreign Institutional Investors (FII) in INR	138.13 bln	160.26 bln	-22.14 bln

(Source: National Stock Exchange of India Ltd.)

INDIA TOP NEWS

India aims for first strategic petroleum reserve with a private company by 2029/30

India plans to build its first privately managed strategic petroleum reserve (SPR) by 2029-30, granting the operator the freedom to trade all of the stored oil, the chief executive of Indian Strategic Petroleum Reserves Ltd said.

US to say Indian refineries help make Russia oil price cap work

The G7 price cap on Russian oil shipments is cutting the revenue that Moscow has available to support its invasion of Ukraine, and the mechanism's effectiveness is helped by the recent actions of Indian refiners, U.S. officials will say in New Delhi on Thursday, according to prepared remarks.

Tesla to scout sites in India for \$2 billion-\$3 billion EV factory, FT reports

Tesla will send a team from the United States to India by late-April to study sites for a proposed \$2 billion to \$3 billion electric car plant, the Financial Times reported on Wednesday, citing people familiar with the matter.

Blackstone to invest \$2 billion a year in India

Blackstone will invest at least \$2 billion a year in India for the next five years, a top company executive said, citing the country's fast-growing economy and booming capital markets.

Vistara could cut flights amid pilot shortage, sources say

The CEO of India's Vistara Airlines told employees at a meeting on Wednesday that it will revise crew rosters and may scale back flights to address ongoing disruption due to a sudden shortage of pilots, two people familiar with the discussions said.

GLOBAL TOP STORIES**Powell sticks with Fed's cautious rate-cut strategy**

Federal Reserve officials including U.S. central bank chief Jerome Powell on Wednesday continued focusing on the need for more debate and data before interest rates are cut, a move financial markets expect to occur in June.

US services sector cooling; input price increase slows considerably

U.S. services industry growth slowed further in March, while a measure of prices paid by businesses for inputs dropped to a four-year low, which bodes well for the inflation outlook.

Disney prevails over Peltz, ending bitter board battle

Walt Disney shareholders backed Chief Executive Bob Iger and other company directors on Wednesday, defeating a campaign by activist investors who argued the storied entertainment giant had underperformed in the streaming-television era.

POLL**Indian rupee to rise modestly against dollar in next three months**

The Indian rupee will strengthen only marginally against the U.S. dollar over the coming three months as the Reserve Bank of India uses its foreign exchange reserves to manage volatility and keep the currency relatively strong, a Reuters poll found.

EX-DIVIDENDS

Varun Beverages Ltd: Final cash dividend of gross INR 1.25 paid on Apr 5

PICTURE OF THE DAY



People work on the Olympic and Paralympic construction site at the Grand Palais venue ahead of the Paris 2024 Olympic Games in Paris, France, April 3. REUTERS/Gonzalo Fuentes

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