

# India Morning Newsletter

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After the passage of the **U.S. debt ceiling bill**, signed and sealed by U.S. President Joe Biden, this week would be action-packed for domestic markets. The **Reserve Bank of India's (RBI)** monetary policy meeting is at the forefront of it all, with regional cues from macro numbers following behind. According to a Reuters' poll, the RBI will leave its **key interest rate** unchanged at 6.50% on June 8 and for the rest of 2023 as the central bank monitors the economic impact of a series of hikes over the past year. Investors will also closely watch the post-rate-decision commentary for ideas on inflation and GDP growth rate for the current financial year, with eyes out for any sign of a rate cut in the current year that can boost market sentiments. Later in the day, investors will watch for **India's S&P Global Services PMI** for May, with the **foreign reserve numbers** coming later in the week. Further, **agri-stocks** will be in focus this week due to the advancement of India's **monsoon rains**. Meanwhile, **oil prices**, which spiked after the world's top exporter Saudi Arabia pledged to cut production by another 1 million barrels per day from July, may affect investor sentiment. For the week, benchmarks **Nifty 50** and **Sensex** closed slightly higher, while the **Nifty Midcap 100** and the **Nifty Smallcap 100** marked their tenth straight week of gains. **Indian government bond yields** were marginally down with the benchmark bond yield ending the week 3 basis points lower. The **rupee** logged its best performance since the week ending April 28. Further, the Indian rupee is expected to decline this week on the back of elevated Treasury yields following the U.S. jobs report, while bond traders awaited the Reserve Bank of India's (RBI) monetary policy decision.

## FACTORS TO WATCH

- 10:30 **S&P Global Services PMI** for May: Expected 60.0; Prior 62.0

## STATE OF THE MARKETS

**Indian shares** will likely open higher, tracking gains in broader Asia, as global sentiment for risk assets got a boost from optimism that the U.S. Federal Reserve may skip an interest rate hike later this month.

**Indian government bond yields** are expected to move higher in early trading session in the beginning of the week, tracking a spike in U.S. peers, while major focus will remain on the monetary policy decision. The 10-year benchmark 7.26% 2033 bond yield is expected to be in the 6.98%-7.03% range, after closing at 6.9823% in the previous session.

The **Indian rupee** is expected to decline at open tracking the move higher on the U.S. dollar and U.S. yields following the jobs report. Non-deliverable forwards indicate rupee will open at around 82.40-82.44 to the U.S. dollar compared with 82.3050 in the previous session.

**U.S. stocks** closed higher on Friday after a labor market report showing moderating wage growth in May indicated the Federal Reserve may skip a rate hike in two weeks, while investors welcomed a Washington deal that avoided a catastrophic debt default.

**Asian shares** extended a global rally on optimism the Federal Reserve would pause its rate hikes this month after a mixed U.S. jobs report, while oil jumped as Saudi Arabia pledged big output cuts in July.

The **Australian dollar** was an outperformer against a strong **greenback**, on bets that the Reserve Bank of Australia will have to raise rates higher and for longer on domestic wage pressures.

Yields on **U.S. Treasuries** rose Friday after Labor Department data showed employment increased more than expected in May, which could pressure the Federal Reserve to hike interest rates later this month.

**Oil** prices jumped more than \$1 a barrel after the world's top exporter Saudi Arabia pledged to cut production by another 1 million barrels per day from July, counteracting macroeconomic headwinds that have depressed markets.

**Gold** prices edged lower as the dollar firmed on strong U.S. payrolls report, offsetting support from the prospects that the Federal Reserve would pause its rate hikes this month.

Markets	Last	Change	YTD change
SGX Nifty futures	18,713.50	0.45%	-
Nifty volatility	11.13	-0.04%	-
Nikkei	32,063.46	1.71%	22.87%
Hang Seng	19,026.02	0.40%	-3.82%
S&P 500 e-mini futures	4,283.75	-0.10%	-
CBOE volatility	14.60	-6.71%	-
USD/INR	82.31	-0.12%	-0.50%
Spot gold	\$1,945.49 /oz	-0.11%	6.64%
Brent crude	\$76.85 /bbl	0.95%	-10.55%
Indian 10-year bond yield	6.9840%	0.07 bps	-4.68 bps
U.S. 10-year Treasury yield	3.7234%	0.82 bps	-2.81 bps

FII & DII Trading Activity in Equities Jun 2	Buy	Sell	Net
Domestic Institutional Investors (DII) in INR	69.52 bln	63.70 bln	5.82 bln
Foreign Institutional Investors (FII) in INR	103.94 bln	110.53 bln	-6.59 bln

(Source: National Stock Exchange of India Ltd.)

**INDIA TOP NEWS****• Netflix, Disney, Amazon to challenge India's tobacco rules for streaming-sources**

Streaming giants Netflix, Amazon and Disney on Friday privately discussed a possible legal challenge and other ways to stall India's new tobacco warning rules, amid fears they will need to edit millions of hours of existing web content, sources said.

**• Airbus nears 500-jet order from India's IndiGo -sources**

Airbus is closing towards a potentially record deal to sell 500 narrow-body A320-family jets to India's largest carrier IndiGo, industry sources said on Sunday.

**• India regulator orders takeover of Sahara India Life Insurance unit by SBI Life**

India's insurance regulator on Friday ordered the takeover of a unit of Sahara India Life Insurance by SBI Life Insurance, following the company's "continuous deterioration of financial position".

**• Tata Group signs \$1.6 billion EV battery plant deal**

Tata Group signed an outline deal on Friday on building a lithium-ion cell factory, based on investment of about \$1.58 billion, as part of the nation's efforts to create its own electric vehicle supply chain.

**• India's April finished steel imports from China hit five-year high**

India's finished steel purchases from China touched a five-year high in April, and the country's overall imports of the alloy reached a four-year high, according to provisional government data reviewed by Reuters.

**GLOBAL TOP STORIES****• Saudi pledges big oil cuts in July as OPEC+ extends deal into 2024**

Saudi Arabia will make a deep cut to its output in July on top of a broader OPEC+ deal to limit supply into 2024 as the group seeks to boost flagging oil prices.

**• McCarthy lauds U.S. debt ceiling deal, House conservatives divided**

U.S. House of Representatives Speaker Kevin McCarthy on Sunday lauded the debt ceiling deal he negotiated with Democratic President Joe Biden, but a prominent House conservative warned that McCarthy has "credibility issues" that may prompt some Republicans to seek his ouster as the top Republican in Congress.

**• China's services activity picks up in May on improved demand- Caixin PMI**

China's services activity picked up in May, a private-sector survey showed on Monday, as a rise in new orders shored up a consumption-led economic recovery in the second quarter.

**POLL****India home prices set to stay above inflation**

Home prices in India are set to hold above consumer inflation, even though interest rates are expected to stay higher for longer than previously thought, a Reuters poll of property analysts found.

**CORPORATE EVENTS**

**New India Assurance Company Ltd:** Q4 2023 earnings conference call



**EX-DIVIDENDS**

**Shyam Metalics and Energy Ltd:** Final cash dividend of gross INR 1.8

**PICTURE OF THE DAY**

*Baisakhi Dhar holds the hand of a relative after she was unable to find the body of her husband, outside a school that was turned into a mortuary centre, following the train collision in Balasore district in the eastern state of Odisha, June 4. REUTERS/Adnan Abidi*

(Compiled by Ankita Yadav in Bengaluru)

For questions or comments about this report, contact:  
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