

India Morning Newsletter

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Domestic equities may open higher on Wednesday ahead of the **Reserve Bank of India's** policy decision due on June 8 and on hopes of a pause on interest rate hikes by other major central banks. The losses in **IT stocks** in the last session were offset by **auto stocks**, which hit a record for the third consecutive session, and **realty stocks**, both closing 1% higher. Traders may also take cues from the overnight session on **Wall Street**, which ended higher and saw volatility drop to a pre-pandemic low. However, the **crypto market** was jolted as the U.S. Securities and Exchange Commission launched its second major lawsuit against prominent sector players. Meanwhile, the **Indian government** will hold an **auction** of 91-day, 182-day and 364-day Treasury bills with an aim to raise an aggregate of 320 billion rupees, later in the day. The **National Stock Exchange's** (NSE) changing of the **Bank Nifty** weekly and monthly **derivatives expiry** to Friday from Thursday, effective July 6, may also affect the market as the Nifty and the Bank Nifty constitute a huge chunk of derivative volumes. While on the global front, **Chinese trade figures** for May will be on the tap. Separately, **Indian government bond yields** ended marginally lower on Tuesday, while the **rupee** notched small gains for a second straight day.

FACTORS TO WATCH

- The **chairman** of India's **Pension Fund Regulatory and Development Authority** (PRFRDA), holding pension funds of over 8 trillion rupees, is expected to hold a press briefing. He is likely to share the details about the performance of the fund and any proposed changes in the rules for investment.
- India's **steel minister** is likely to hold a presser on poverty alleviation through steel use.
- Asian Paints, Bajaj Auto, Dr Reddy's Laboratories, Hero MotoCorp, ITC, Mahindra and Mahindra, Tata Steel are expected to participate in the **Morgan Stanley India Investment Forum**.
- Dr. Lal PathLabs, IDFC First Bank, Polycab India and Tata Chemicals will attend the **Nomura Holdings Asia Investment Forum**.
- The National Stock Exchange retained **Indiabulls Housing Finance**, **India Cements** and **Manappuram Finance** in its **Futures & Options** ban list.

STATE OF THE MARKETS

Indian shares were set to open higher, tracking global peers, on hopes of a rate hike pause by several global

central banks at their policy meetings.

Indian government bond yields are expected to remain largely unchanged in early session, as traders await the Reserve Bank of India's upcoming monetary policy decision. The 10-year benchmark 7.26% 2033 bond yield is expected to be in the 6.96% to 7.01% range after closing at 6.9780% in the previous session.

The **Indian rupee** is expected to open higher, helped by an uptick in Asian peers and a positive risk mood. Non-deliverable forwards indicate the rupee will open at around 82.52-82.54 to the U.S. dollar compared with 82.6050 in the previous session.

U.S. stocks closed up on Tuesday, helped by some advances in economically sensitive sectors, as investors awaited inflation data and the Federal Reserve's policy meet next week.

Most **Asia-Pacific stocks markets** strengthened, as expectations for stimulus from China and overnight gains on Wall Street boosted the mood.

The **dollar** edged lower as traders assessed the odds of a rate hike by the Federal Reserve next week, while the **Aussie** scaled a fresh three-week high in the wake of a rate increase and a decidedly hawkish stance by its central bank .

Treasury yields edged higher on Tuesday as the market awaits the release next week of consumer price data followed by a Federal Reserve meeting in which futures traders expect policymakers to pause their aggressive hiking of interest rates.

Oil prices edged lower after the previous session's losses, as demand concerns owing to slow global economic growth were offset by fears of tighter global supply following Saudi Arabia's pledge to deepen output cuts.

Gold prices inched higher, trading in a tight range as support from a weaker dollar countered concerns surrounding the U.S. Federal Reserve's next interest rate decision.

| Markets | Last | Change | YTD change |
|-----------------------------|----------------|-----------|------------|
| SGX Nifty futures | 18,693.00 | 0.08% | - |
| Nifty volatility | 11.38 | 0.02% | - |
| Nikkei | 32,105.71 | -1.23% | 23.04% |
| Hang Seng | 19,240.33 | 0.74% | -2.74% |
| S&P 500 e-mini futures | 4,290.00 | 0.01% | - |
| CBOE volatility | 13.96 | -5.23% | - |
| USD/INR | 82.61 | -0.08% | -0.14% |
| Spot gold | \$1,964.15 /oz | 0.07% | 7.66% |
| Brent crude | \$76.08 /bbl | -0.28% | -11.44% |
| Indian 10-year bond yield | 6.9770% | -0.29 bps | -4.78 bps |
| U.S. 10-year Treasury yield | 3.6697% | -0.82 bps | -4.21 bps |

| FII & DII Trading Activity in Equities Jun 7 | Buy | Sell | Net |
|---|-----------|-----------|-----------|
| Domestic Institutional Investors (DII) in INR | 59.47 bln | 64.36 bln | -4.89 bln |
| Foreign Institutional Investors (FII) in INR | 89.63 bln | 85.78 bln | 3.86 bln |

(Source: National Stock Exchange of India Ltd.)

INDIA TOP NEWS

• India to offer \$455 mln in incentives for battery storage projects -sources

India will offer 37.6 billion rupees in incentives to companies setting up battery storage projects totaling 4,000 megawatt hours (MWh) under a scheme announced earlier this year, two government sources said.

• India cenbank says banks can offer NDF contracts to resident Indians for hedging

India's central bank has issued rules allowing banks to offer non-deliverable forward contracts involving the rupee to resident Indians.

• Tribunal quashes India market regulator's order cancelling Brickwork Ratings' licence

India's markets appeals tribunal on Tuesday set aside a ruling by the markets regulator cancelling the licence of Brickwork Ratings India, according to an order published on the tribunal's website.

• Sequoia to split off China, India/Southeast Asia businesses amid geopolitical tension

U.S. venture capital giant Sequoia plans to split off its Chinese and Indian/Southeast Asian businesses into two independent firms, it said on Tuesday, as it tries to better navigate economic and geopolitical challenges.

• Air India plane from Delhi to San Francisco lands in Russia after engine problem

An Air India plane flying from Delhi to San Francisco was forced to divert and land at an airport in Russia's Far East after it developed a technical issue with one of its engines, the airline said on Tuesday.

GLOBAL TOP STORIES

• World Bank cuts 2024 global growth forecast as rate hikes bite but lifts 2023 outlook

The World Bank on Tuesday raised its 2023 global growth outlook as the U.S., China and other major economies have proven more resilient than forecast, but said higher interest rates and tighter credit will take a bigger toll on next year's results.

• US tightens crackdown on crypto with lawsuits against Coinbase, Binance

The top U.S. securities regulator sued cryptocurrency platform Coinbase on Tuesday, the second lawsuit in two days against a major crypto exchange, in a dramatic escalation of a crackdown on the industry and one that could dramatically transform a market that has largely operated outside regulation.

• New York Fed says global supply chain pressures further abated in May

Supply chain pressures cooled again in May, New York Fed data showed, in a development that further eased what had been one of the key factors that had helped drive surging inflation pressures around the work.

BREAKINGVIEWS**Dicey Asian borrowers offer an unusual shelter**

Global investors are piling into private debt in emerging Asia, from performing credit to the distressed stuff. As they sign bigger deals, some are also successfully enforcing their rights in some of the trickiest markets where interest rates have risen more moderately than in the West. It puts a fast-growing and high-returning region on the map.

EX-DIVIDENDS

Tata Power Company: Final cash dividend of gross INR 2 paid on June 21

PICTURE OF THE DAY

German Defence Minister Boris Pistorius inspects the Tri-Service Guard of Honour during his ceremonial reception in New Delhi, June 6. REUTERS/Anushree Fadnavis

(Compiled by Ankita Yadav in Bengaluru)

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