

# India Morning Newsletter

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Friday, June 28, 2024



Inclusion of **Indian debt** in JPMorgan's emerging markets index will be the key event for the day, where domestic bonds are expected to see \$2 billion in monthly inflows, possibly pushing the country's weightage up 10% over a 10-month period. Separately, the Reserve Bank of India in its bi-annual Financial Stability Report pointed to the robust capital position of **Indian banks** and expects their asset quality to improve through March 2025. It also cautioned against a rapid rise in **derivative trading volumes** that adds to the warnings from the finance minister and market regulator. Meanwhile, two senior weather officials said the **annual monsoon** has covered more than three-fourths of the country and is set to cover the entire nation on time for the planting season despite stalling earlier this month. Both **Nifty 50** and **Sensex**, which scaled fresh peaks in the previous session, are on track for the best monthly gain this year, up 6.72% and 7.14%, respectively, so far in June. However, small-cap and mid-cap indexes could be on the watch after Quant Mutual Fund said its investors withdrew about 13.95 billion rupees in the three days following the market regulator probe. **Infrastructure output** and **fiscal deficit** data for May are on tap. Globally, some risk aversion is expected ahead of the crucial U.S. personal consumption expenditure data and the first round of French elections set for Sunday. Later in the day, the Indian government is aiming to raise at least **310 billion rupees** through the **sale of bonds**.

## FACTORS TO WATCH

- 3:30 pm **Fed Fiscal Deficit** for May: Prior INR 2,101.36 bln
- 5:00 pm **Bank Loan Growth** for 14 June, w/e: Prior 19.8%
- 5:00 pm **Deposit Growth** for 14 June, w/e: Prior 12.7%
- 5:30 pm **Infrastructure Output YY** for May: Prior 6.20%

## STATE OF THE MARKETS

**Indian shares** are set to rise and hit record highs, as buoyancy in large-caps with comfortable valuations looks set to continue, with a focus on Reliance Industries after its telecom arm Jio announced tariff hikes.

**Indian government bond yields** are expected to open lower, as debt is included in JPMorgan's widely-tracked emerging market index, with the market bracing for foreign inflows through the session. The **benchmark 10-year yield** is likely to move in a 6.95%-7.02% range, following its previous close of 6.9992%.

The **rupee** will be helped by the expected inflows from the inclusion of the country's bonds in the JPMorgan emerging market bond index, while focus will be on the strength in the dollar before key U.S. inflation data. Non-deliverable forwards indicate rupee will open unchanged to the U.S. dollar from 83.46 in the previous session.

**U.S. stocks** ended Thursday around the unchanged mark as investors awaited fresh inflation data, with the Nasdaq able to eke out a slight gain after data showed a continued slowdown in economic activity, raising investors' hope for rate cuts.

**Asian stocks** were headed for a fifth straight month of gains, bolstered by the growing view that cooling U.S. inflation will allow the Federal Reserve to ease rates later this year.

The **dollar** was headed for a second straight quarterly gain and jumped to a near four-decade high on the battered yen, ahead of a crucial U.S. inflation reading.

**Treasury yields** declined slightly on Thursday after economic data showed a continued, though moderate, slowdown in economic activity.

**Oil** prices rose, setting up a third straight weekly jump, as concerns about supply problems from escalating geopolitical tensions and weather-related disruptions offset signs of weak demand.

**Gold** prices edged lower but were headed for their third consecutive quarterly rise, while investors looked toward key U.S. inflation data due later in the day that could throw some light on the Federal Reserve's stance on interest rate cuts.

| Markets                     | Last           | Change    | YTD change |
|-----------------------------|----------------|-----------|------------|
| GIFT Nifty 50               | 24,206.50      | 0.08%     | -          |
| Nifty volatility            | 14.15          | 10.75 bps | -          |
| Nikkei                      | 39,756.52      | 1.05%     | 18.80%     |
| Hang Seng                   | 17,803.10      | 0.49%     | 4.43%      |
| S&P 500 e-mini futures      | 5,562.25       | 0.29%     | -          |
| CBOE volatility             | 12.24          | -2.47%    | -          |
| USD/INR                     | 83.46          | -0.13%    | 0.30%      |
| Spot gold                   | \$2,321.77 /oz | -0.24%    | 12.57%     |
| Brent crude                 | \$86.78 /bbl   | 0.45%     | 12.64%     |
| Indian 10-year bond yield   | 7.0000%        | 0.30 bps  | -17.60 bps |
| U.S. 10-year Treasury yield | 4.3176%        | 2.96 bps  | 45.76 bps  |

| FII & DII Trading Activity in Equities Jun 27 | Buy        | Sell       | Net        |
|---|------------|------------|------------|
| Domestic Institutional Investors (DII) in INR | 268.87 bln | 304.93 bln | -36.06 bln |
| Foreign Institutional Investors (FII) in INR  | 308.49 bln | 231.91 bln | 76.59 bln  |

(Source: National Stock Exchange of India Ltd.)

## INDIA TOP NEWS

### **POLL-India's GDP growth to slow modestly this fiscal year and next**

Forecasts for a mild slowdown in India's fast-growing economy held steady in the first Reuters poll of economists since the ruling Bharatiya Janata Party (BJP) lost its parliamentary majority in phased national elections that ended in early June.

### **SEBI warns of rising risks from derivative trading frenzy**

India's market regulator on Thursday warned of rising risks from a surge in derivative trading volumes, with small investors jumping in to trade risky options contracts.

**India's monsoon overcomes delay, set to cover country on time**

India's annual monsoon has covered more than three-fourths of the country and it is set to cover the entire country on time for the planting season despite stalling earlier this month, two senior weather officials said on Thursday.

**Quant Mutual Fund investors pull out "small" 14 billion rupees amid regulatory probe**

Quant Mutual Fund said on Thursday that its investors withdrew about 13.95 billion rupees, a "small" figure, in the three days since the market regulator reportedly started a probe over allegations of "front running".

**Indian regulator says 36% of inspected drug-making units had to be shut**

More than 36% of the 400 drug manufacturing units inspected since last year in India were ordered to be shut, the country's drug regulator said on Thursday, after deaths linked to sub-standard cough syrups prompted an increase in scrutiny.

**GLOBAL TOP STORIES****Biden and Trump clash on abortion, economy as first debate gets under way**

Democratic President Joe Biden and his Republican rival Donald Trump traded attacks on abortion and their handling of the economy early in their debate on Thursday night, giving voters a rare side-by-side look at the two oldest candidates ever to seek the U.S. presidency.

**US weekly jobless claims, equipment spending data point to slowing economy**

First-time applications for U.S. unemployment benefits drifted lower last week, but the number of people on jobless rolls jumped to a 2-1/2 year high in mid-June, suggesting that labor market conditions were easing amid slowing economic growth.

**Inflation in Japan's capital accelerates, keeps BOJ rate hike prospects alive**

Core inflation in Japan's capital accelerated in June on rising fuel bills and the boost to import costs from a weak yen, data showed, keeping alive expectations for a near-term interest rate hike by the central bank.

**SHAREHOLDERS MEETINGS**

**Dalmia Bharat Ltd:** Annual Shareholders Meeting

**GlaxoSmithKline Pharmaceuticals Ltd:** Annual Shareholders Meeting

**Kansai Nerolac Paints Ltd:** Annual Shareholders Meeting

**SRF Ltd:** Annual Shareholders Meeting

**Supreme Industries Ltd:** Annual Shareholders Meeting

**Tejas Networks Ltd:** Annual Shareholders Meeting

**EX-DIVIDENDS**

**Bajaj Holdings and Investment Ltd:** Final Cash Dividend of gross INR 21 paid on July 29

**Indusind Bank Ltd:** Final Cash Dividend of gross INR 16.5 going ex on June 28

**Maharashtra Scooters Ltd:** Final Cash Dividend of gross INR 60 paid on July 27

**Syngene International Ltd:** Final Cash Dividend of gross INR 1.25 paid on Aug 23

**Welspun Corp Ltd:** Final Cash Dividend of gross INR 5 going ex on June 28

## PICTURE OF THE DAY



Farmers harvest the lavender at a field in south Kashmir's Anantnag district, June 27. REUTERS/Sharafat Ali

(Compiled by Malini K in Bengaluru)

For questions or comments about this report, contact:  
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