

# India Morning Newsletter

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Federal Reserve Chair **Jerome Powell** signalled that the U.S. is back on a “disinflationary path” but emphasized that policymakers need more evidence before cutting rates. This, along with overnight gains in **Wall Street's main stock indexes** could lend support to Indian markets. Sentiment could also be supported by an increase in **U.S. job openings** in May after outsized declines in the prior two months, which suggests an easing in labor market conditions. **Domestic equities** took a breather on Tuesday, with **financial** and **auto stocks** weighing on the market, while information technology stocks bucked the trend. Trading platforms declined after the country's market regulator asked institutions to levy uniform charges on brokers and not on volumes. **Larsen & Toubro** rose 2.83% on a report that the company got orders worth \$4 billion from Saudi Aramco. **Government bond yields** ended little changed, while the **rupee** weakened, hurt by the Chinese yuan's decline. The **HSBC Services PMI data** for June is on the calendar for the day, while the Indian government aims to raise **200 billion rupees** through the sale of 91-day, 182-day and 364-day **Treasury bills**.

## FACTORS TO WATCH

- 10:30 am **HSBC Services - Business Activity** for June: Expected 60.6; Prior 60.4
- 10:30 am **HSBC Composite Final PMI** for June: Prior 60.9
- The National Stock Exchange retained **India Cements** and **Indus Towers** in its Futures & Options ban list.

## STATE OF THE MARKETS

**Indian shares** are likely to open higher, tracking Asian peers, while the country's top private lender HDFC Bank will be in focus on hopes of a likely increase in its weightage in a key global index.

**Indian government bond yields** are set to continue searching for strong cues as traders assess recent moves in Treasury yields as well as the pace of foreign inflows into domestic debt after India's inclusion in a global index. The benchmark 10-year yield is likely to move in the 7.00%-7.04% range.

The **Indian rupee** is expected to open marginally weaker-to-flat after the Federal Reserve's dovish comments provided little relief to Asian peers. Non-deliverable forwards indicate the rupee will open at 83.50-83.52 to the U.S. dollar, compared with 83.5050 in the previous session.

**Wall Street's main stock indexes** closed higher on Tuesday, boosted by gains in Tesla and megacap growth stocks, but volumes were thin ahead of the July Fourth holiday and the closely watched release of June nonfarm payrolls on Friday.

**Asian stocks** rose as the comments from Fed Chair Jerome Powell reinforced expectations that U.S. rate cuts were not far off, while the yen remained pinned near levels last seen in 1986, keeping traders nervous of Japanese intervention.

The **dollar** remained on the back foot after dovish comments from Federal Reserve Chair Jerome Powell sent U.S. bond yields lower, overshadowing a strong domestic jobs report.

**Benchmark 10-year Treasury yields** dipped on Tuesday following a closely watched reading of the jobs market and comments by Federal Reserve Chair Jerome Powell that monetary policy is closer to the point where interest-rate cuts are appropriate.

**Oil** prices edged higher in early Asian trade after industry data showed a bigger-than-expected draw in U.S. crude stockpiles, boosting hopes of solid fuel demand during the summer driving season in the top oil consuming nation.

**Gold** prices were flat as investors awaited minutes of the Federal Reserve's last policy meeting for fresh cues on when the U.S. central bank will start cutting interest rates.

Markets	Last	Change	YTD change
GIFT Nifty 50	24,327.50	-0.10%	-
Nifty volatility	13.64	-19 bps	-
Nikkei	40,355.10	0.70%	20.59%
Hang Seng	17,850.08	0.46%	4.71%
S&P 500 e-mini futures	5,563.25	-0.10%	-
CBOE volatility	12.03	-1.55%	-
USD/INR	83.51	0.08%	0.36%
Spot gold	\$2,329.43 /oz	0.01%	12.94%
Brent crude	\$86.61 /bbl	0.43%	12.42%
Indian 10-year bond yield	7.0090%	-0.40 bps	-16.70 bps
U.S. 10-year Treasury yield	4.4257%	-1.03 bps	56.57 bps

FII & DII Trading Activity in Equities Jul 2	Buy	Sell	Net
Domestic Institutional Investors (DII) in INR	142.03 bln	135.55 bln	6.48 bln
Foreign Institutional Investors (FII) in INR	145.51 bln	165.51 bln	-20.00 bln

## INDIA TOP NEWS

### Top discount broker Zerodha sees end of zero brokerage model after new fee rules

Zerodha, India's largest discount broker, said on Tuesday it will in all likelihood have to abandon its zero-brokerage model and raise derivative trading fees after the market regulator mandated uniform charges that are not based on volumes.

### India's monsoon rains cover entire country ahead of time

India's annual monsoon rains covered the entire country on Tuesday, six days ahead of the usual time of arrival, the state-run weather department said, although rain totals are still 7% below average so far this season.

**Kremlin says Modi visit could deepen Russian trade ties to India**

The Kremlin said on Tuesday that the final details of a visit by Indian Prime Minister Narendra Modi to Russia were being worked out, and that deepening trade and economic cooperation would be one of the key themes of the visit.

**GLOBAL TOP STORIES****Fed's Powell says US on 'disinflationary path,' but more data needed before rate cuts**

The U.S. is back on a "disinflationary path," Federal Reserve Chair Jerome Powell said on Tuesday, but policymakers need more data before cutting interest rates to verify that recent weaker inflation readings provide an accurate picture of the economy.

**China's services activity growth hits 8-month low, Caixin PMI shows**

China's services activity expanded at the slowest pace in eight months and confidence hit a four-year low in June, dragged by slower growth in new orders, a private-sector survey showed on Wednesday, suggesting more economic stimulus is needed.

**Tesla's quarterly deliveries fall less than expected; shares rally**

Tesla on Tuesday reported a smaller-than-expected 5% drop in vehicle deliveries in the second quarter, as the electric carmaker's price cuts and incentives helped mitigate cooling demand.

**EX-DIVIDENDS**

**Jyothy Labs Ltd:** Final cash dividend of gross INR 3.5 paid on Jul 27

## PICTURE OF THE DAY



*Shloka Mehta Ambani, Akash Ambani, Mukesh Ambani, the Chairman of Reliance Industries, Nita Ambani, Isha Piramal and Anand Piramal pose with brides and grooms during a mass marriage ceremony organised by them, as part of the pre-wedding celebrations of Anant Ambani and Radhika Merchant in Navi Mumbai, India, July 2.*

(Compiled by Jerin Tom Joshy in Bengaluru)

For questions or comments about this report, contact:  
[reuters.marketwatch@thomsonreuters.com](mailto:reuters.marketwatch@thomsonreuters.com)

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LSEG  
10 Paternoster Square, London, EC4M 7LS, United Kingdom

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