

India Morning Newsletter

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Thursday, September 12, 2024



Indian traders will track developments in both global and domestic markets today, with the focus on **IT stocks**, as **Wall Street's** strong close saw the **Nasdaq** gain 2.17%. The rally came on the heels of initial disappointment over U.S. inflation data, which dashed hopes of a larger 50-basis-point rate cut but cemented expectations of a 25 bps cut in the Federal Reserve's upcoming policy meeting. The U.S. consumer price index (CPI) report showed a 0.2% rise for August, while core inflation came in slightly higher than forecast. On the home front, attention will be on **India's retail inflation** report, due later in the day. Economists polled by Reuters expect inflation to remain at a five-year low of 3.5% in August, marking the second consecutive month below the Reserve Bank of India's 4% target. Additionally, the **industrial output** data for July is also set to be released. On Wednesday, **Indian shares** ended lower as profit-taking took hold ahead of the U.S. inflation report. The **rupee** remained steady, while **government bond yields** slipped, with the benchmark 10-year yield hitting a 30-month low, tracking a decline in U.S. yields and lower oil prices. Globally, investors will keep an eye on **U.S. producer prices** and weekly **jobless claims** data, expected later in the day.

FACTORS TO WATCH

- 05:30 pm **CPI Inflation yy** for Aug: Expected 3.50%
- 05:30 pm **Industrial Output yy** for July: Expected 4.70%
- The **National Stock Exchange** added **Aarti Industries Limited** to its **Futures and Options ban list** while retaining **Aditya Birla Fashion and Retail**, **Balrampur Chini Mills**, **Bandhan Bank**, **Chambal Fertilisers and Chemicals**, **Hindustan Copper** and **RBL Bank**. **Biocon** was removed from the list.

STATE OF THE MARKETS

Indian shares are set to open higher, on expectations of rise in foreign inflows into domestic equities and mirroring other Asian peers after U.S. inflation data heightened expectations of a 25 basis point Federal Reserve rate cut.

Indian government bond yields are expected to partially reverse the fall of the previous session in opening trade, tracking U.S. Treasury yields, after U.S. inflation data tempered expectations for a large rate cut. The benchmark 10-year yield is likely to move between 6.82% and 6.85%, compared with its previous close of 6.8271%, which was the lowest since March 30, 2022.

The **Indian rupee** is likely to be under slight pressure at the open after resilient U.S. inflation dented hopes of the Federal Reserve opting for a large rate cut next week.

All three major **U.S. stock indexes** closed higher on Wednesday with a boost from the technology sector offsetting investor disappointment at an early morning inflation report, which crushed hopes the Federal Reserve would cut

interest rates by 50 basis points next week.

Asian shares bounced, tracking a tech-driven rally on Wall Street, while the dollar held onto gains after U.S. core inflation surprised slightly on the upside and dashed hopes of a large rate cut by the Federal Reserve next week.

The **dollar** traded near a four-week high versus the **euro** after signs of some stickiness in U.S. inflation reinforced expectations that the Federal Reserve would avoid a super-sized interest rate cut next week.

U.S. Treasury yields rose on Wednesday after the release of August data showing U.S. consumer prices rose marginally while underlying inflation remained sticky, curbing expectations for a large interest rate cut by the Federal Reserve next week.

Oil prices were higher on fears that Hurricane Francine could lead to lengthy production shutdowns in U.S.

Gold prices were flat following the release of the U.S. inflation print, while traders shifted their attention to the upcoming economic data that could impact the Federal Reserve's policy decision.

Markets	Last	Change	YTD change
GIFT Nifty 50	25,064.50	-0.06%	-
Nifty volatility	13.63	2.00%	-
Nikkei	36,625.41	2.82%	9.45%
Hang Seng	17,143.83	0.21%	0.57%
S&P 500 e-mini futures	5,561.50	0.00%	-
CBOE volatility	17.69	-7.29%	-
USD/INR	83.98	0.00%	0.93%
Spot gold	\$2,513.65 /oz	0.09%	21.87%
Brent crude	\$70.82 /bbl	0.30%	-8.07%
Indian 10-year bond yield	6.8300%	-2.10 bps	-34.60 bps
U.S. 10-year Treasury yield	3.6665%	1.35 bps	-19.35 bps

FII & DII Trading Activity in Equities Sep 11	Buy	Sell	Net
Domestic Institutional Investors (DII) in INR	114.02 bln	111.71 bln	2.31 bln
Foreign Institutional Investors (FII) in INR	154.15 bln	136.60 bln	17.55 bln

(Source: National Stock Exchange of India Ltd.)

INDIA TOP NEWS

Bajaj Housing Finance draws bids worth \$39 billion in hottest India IPO this year

India's Bajaj Housing Finance attracted bids worth about \$38.60 billion, or nearly 64 times the shares on offer, making it the most sought-after major public listing this year in a red-hot IPO market.

India enforcement agency conducts searches in Axis Mutual Fund front-running case

India enforcement agency seized 1.29 million rupees during searches in Mumbai and Kolkata related to an ongoing investigation of front-running at Axis Mutual Fund, the agency said on Wednesday.

Vedanta urges India to negotiate end to nickel sulphate duties with Japan and South Korea

India's metals-to-oil conglomerate Vedanta has urged the government to press Japan and South Korea to change their trade pacts to eliminate their import duties on nickel sulphate used in EV batteries, a source aware of the matter said.

NXP Semiconductors to invest more than \$1 billion in India as it boosts R&D efforts

NXP Semiconductors will invest over \$1 billion in India, doubling its research and development efforts, the Dutch company's CEO said on Wednesday, joining global names betting on a country looking to establish its presence in the industry.

India approves \$1.3 billion incentive scheme for electric vehicles

India's cabinet has approved a scheme to spend \$1.3 billion on incentives for the adoption of electric vehicles in its efforts to curb pollution and move towards cleaner fuels.

GLOBAL TOP STORIES**US inflation trending lower, but some stickiness remains**

U.S. consumer prices rose slightly in August, but underlying inflation showed some stickiness amid higher costs for housing and other services, further dashing hopes of a half-point interest rate cut from the Federal Reserve next week.

ECB to cut interest rates as growth dwindles, outlook unclear

The European Central Bank is almost certain to cut interest rates again on Thursday, but with inflation risks still simmering despite a stuttering euro zone economy, investors will be searching its statements for clues about further easing.

Boeing faces possible strike on Friday over labor contract

Boeing faces a possible strike as early as Friday if most of the U.S. planemaker's factory workers in the Pacific Northwest vote on Thursday to back a work stoppage and reject a tentative deal that has enraged many of them.

SHAREHOLDERS MEETINGS

Bis International Services Ltd: Annual Shareholders Meeting

Ircon International Ltd: Annual Shareholders Meeting

JBM Auto Ltd: Annual Shareholders Meeting

Jupiter Wagons Ltd: Annual Shareholders Meeting

One 97 Communications Ltd: Annual Shareholders Meeting

RITES Ltd: Annual Shareholders Meeting

Varroc Engineering Ltd: Annual Shareholders Meeting

EX-DIVIDENDS**Garware Technical Fibres Ltd:** Final Cash Dividend of gross INR 3 paid on Sep 19**SJVN Ltd:** Final Cash Dividend of gross INR 0.65 paid on Oct 19**PICTURE OF THE DAY**

A boy jumps while playing on the terrace of a house in the quarters of the old Delhi, September 11. REUTERS/Priyanshu Singh

(Compiled by Shreya Sabharwal in Bengaluru)

For questions or comments about this report, contact:
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