

# India Morning Newsletter

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**Indian markets** had a rough start to the week, experiencing their steepest drop in two months as investors locked in profits, particularly in **financial heavyweights**. The **Nifty 50** and **BSE Sensex** fell 1.41% and 1.5%, respectively, marking their worst session since early August. **Financials**, the largest sector in both indexes, declined 1.7%, **IT stocks** slid nearly 1% and **Reliance Industries** tumbled 3.3%. Of the 13 major sectors, **metals** were the only outlier, rallying 1.3% for the seventh consecutive session, supported by China's newly announced stimulus and rising global prices. Analysts see improved profit margins for metal companies on stable oil and energy costs, with the index up more than 8% since Sept. 24. Despite the pullback, Indian markets recorded their fourth consecutive monthly gains, buoyed by optimism surrounding the U.S. Federal Reserve's rate cut. On the domestic front, **SEBI** approved a new asset class for higher-risk investments and eased the rules for passive mutual funds to foster competition and encourage safer schemes. Later in the day, investors will track the **HSBC Manufacturing PMI** to gauge India's factory activity growth for September. Meanwhile, it was a mixed bag for global markets on Monday- **China** saw its best stock market day since 2008, while **Japanese stocks** saw one of their sharpest falls in years. **U.S. markets** also hit record highs, with the **S&P 500** and **Dow Jones** gaining after **Fed Chair Jerome Powell** indicated the possibility of two more rate cuts this year, though he noted no urgency for further easing. For the month, the S&P 500 gained 2%, marking its best September since 2013. Separately, **Indian bond yields** fell for the fourth straight quarter, with the **10-year yield** posting its largest drop in more than four years due to softened global rates and increased demand for local debt following its inclusion in a global index. During the day, Indian states will look to raise an aggregate of 199.42 billion rupees through the **sale of bonds** maturing in three to 24 years.

## FACTORS TO WATCH

- 10:30 **HSBC Manufacturing PMI** for September: Expected 56.7; Prior 56.7
- The **National Stock Exchange** added **Balrampur Chini Mills, Bandhan Bank, Hindustan Copper** and **RBL Bank** in its **Futures and Options ban list**.

## STATE OF THE MARKETS

**Indian shares** are set to open higher, after witnessing profit booking in the previous session at near-record high levels, while auto stocks will be in focus on the day of their monthly sales data.

**Indian government bond yields** are expected to trend marginally higher in early trading, as U.S. yields rise after bets eased for another outsized rate cut from the Federal Reserve. The **benchmark 10-year yield** is likely to move between 6.74% and 6.77%, compared with the previous close of 6.7495%.

The **Indian rupee** is expected to open slightly weaker after Federal Reserve Chair Jerome Powell pushed back on

hopes of more larger-than-usual interest rate reductions, which helped boost the U.S. dollar.

The **S&P 500** sputtered to a record high close on Monday, rebounding from a brief setback after Federal Reserve Chair Jerome Powell said the U.S. central bank is in no hurry to implement further interest rate cuts.

**Asian stocks** eased near two-and-half-year highs following hawkish comments from Federal Reserve Chair Jerome Powell that scuppered bets of big interest rate cuts, while Mid-East tension kept risk sentiment in check.

The **U.S. dollar** gained against **major peers** after Federal Reserve Chair Jerome Powell pushed back overnight against bets on more supersized interest rate cuts.

**U.S. Treasury yields** rose across the board on Monday after Federal Reserve Chair Jerome Powell suggested the central bank will take a gradual approach in cutting interest rates, noting monetary policy is not on any "preset course."

**Oil** prices were steady as the prospect of additional supply entering the market amid lacklustre global demand growth offset concerns that the escalating Middle East conflict could disrupt exports in the key producing region.

**Gold** price held its ground, following a decline of nearly 1% in the previous session, as investors awaited upcoming U.S. data for insights on potential interest rate cuts this year.

Markets	Last	Change	YTD change
GIFT Nifty 50	26,000.50	0.10%	-
Nifty volatility	12.79	6.90%	-
Nikkei	38,445.10	1.39%	14.88%
Hang Seng	21,133.68	2.43%	23.97%
S&P 500 e-mini futures	5,818.75	0.08%	-
CBOE volatility	16.73	-1.36%	-
USD/INR	83.79	0.11%	0.70%
Spot gold	\$2,637.14 /oz	0.10%	27.86%
Brent crude	\$71.84 /bbl	0.20%	-6.75%
Indian 10-year bond yield	6.7500%	-0.90 bps	-42.60 bps
U.S. 10-year Treasury yield	3.7752%	-2.68 bps	-8.48 bps

FII & DII Trading Activity in Equities Sep 30	Buy	Sell	Net
Domestic Institutional Investors (DII) in INR	178.81 bln	112.35 bln	66.46 bln
Foreign Institutional Investors (FII) in INR	166.21 bln	264.13 bln	-97.92 bln

(Source: National Stock Exchange of India Ltd.)

**INDIA TOP NEWS****India clears rules for passive fund houses, introduces new asset class**

India's markets regulator on Monday approved a new asset class, allowing investors to take higher risks through a regulated product.

**India's infrastructure output contracts for the first time in more than 3 years**

India's infrastructure output fell by 1.8% year-on-year in August, marking its first contraction since February 2021 as heavy rains hurt coal and electricity production, government data showed on Monday.

**Indian banks' loans moderates in August amid slowdown in credit card debt, cenbank says**

Indian banks' loan growth moderated in August amid a slowdown in credit card debt and personal loans, central bank data showed on Monday.

**Adani Group unit raises 19.5 billion rupees via bond issue, say bankers**

India's Adani Airport Holdings has raised 19.5 billion rupees via the biggest domestic bond issue since U.S. short-seller Hindenburg Research accused its parent group of improper use of offshore tax havens and stock manipulation.

**India's monsoon rains hit four-year high in boost to crop output**

India's monsoon rainfall this year was its highest since 2020, with above-average precipitation for three consecutive months, helping the country recover from last year's drought, the state-run weather department said on Monday.

**GLOBAL TOP STORIES****Asia's factory activity hit by global uncertainty, focus on China stimulus**

Asia's factory activity weakened in September as soft Chinese demand and global economic uncertainty pointed to a challenging outlook, private surveys showed, keeping policymakers under pressure to shore up their fragile economies.

**Fed sees no 'hurry' to cut rates as confidence in economy grows, Powell says**

Federal Reserve Chair Jerome Powell indicated on Monday the U.S. central bank would likely stick with quarter-percentage-point interest rate cuts moving forward and was not "in a hurry" after new data boosted confidence in ongoing economic growth and consumer spending.

**Israel begins Lebanon ground invasion with 'limited' raids on Hezbollah**

Israel's widely expected ground invasion of Lebanon appeared to be getting underway early on Tuesday as its military said troops had begun "limited" raids against Hezbollah targets in the border area.

***(India Morning Newsletter will not be published on Wednesday, October 2, on account of the Mahatma Gandhi Jayanti holiday)***



## PICTURE OF THE DAY



An artist paints a temporary tattoo on a woman's back of an image representing the Indian Prime Minister Narendra Modi's third term, amid preparations for the upcoming Navratri, a festival during which devotees worship the Hindu goddess Durga, in Ahmedabad, September 30. REUTERS/Amit Dave

(Compiled by Shreya Sabharwal in Bengaluru)

For questions or comments about this report, contact:  
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