

India Morning Newsletter

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Indian markets are set to resume trading after a mid-week holiday, with focus likely to be on the escalating geopolitical conflict in the Middle East. Investors worldwide are closely monitoring Israel's expected response to Iranian missile attacks, which have created uncertainty in the global markets. **Wall Street** ended almost flat overnight as traders also digested mixed U.S. economic data. The Middle East tensions sustained demand for **safe-haven assets** such as the **dollar** and also drove a rebound in **oil** prices. In addition to the geopolitical backdrop, U.S. labor market data remains in the spotlight for clues on how it could influence the Fed's interest rate trajectory. **ADP private payrolls** for September exceeded expectations on Wednesday, signaling continued strength in the U.S. job market. Investors now await **U.S. jobless claims** data, due later in the day, followed by the highly anticipated **non-farm payrolls** report on Friday. Domestically, Indian markets could see movement in **Reliance Power** after the group announced plans to jointly develop solar and hydro projects in Bhutan. **Tata Motors** and **Maruti Suzuki** will also be in focus after they released their September car sales figures on Tuesday. Meanwhile, the IPO market remains active, with **KRN Heat Exchanger and Refrigeration** making its stock market debut later in the day following strong investor demand, having been oversubscribed by 213 times. Additionally, the Indian government aims to raise an aggregate of 190 billion rupees through the sale of 91-day, 182-day and 364-day **Treasury bills**.

FACTORS TO WATCH

- The **National Stock Exchange** added **Birlasoft** to its Futures and Options ban list, while retaining **Bandhan Bank**, **Hindustan Copper** and **RBL Bank**. **Balrampur Chini Mills** was removed from the list.

STATE OF THE MARKETS

Indian shares are likely to open lower, tracking other **Asian peers**, as investors curb their risk appetite on escalation of conflict in the Middle East.

Indian government bond yields are expected to trend little changed amid traders awaiting a key U.S. jobs data due on Friday and the domestic central bank's policy next week. Investors will be keep an eye on the escalating Middle East tensions following Iran's missile attack against Israel. The **benchmark 10-year yield** is likely to move between 6.71% and 6.75%, compared with its previous close of 6.7339%.

The **Indian rupee** is poised to open weaker after a measure of how the U.S. labour market was faring spurred expectations that the Federal Reserve will deliver a smaller interest rate hike next month, boosting the U.S. dollar. The conflict in the Middle East and the potential impact it could have on oil prices is further expected to weigh on the Indian currency.

The **S&P 500** ended little changed on Wednesday, with technology shares gaining but investors nervous about Middle East tensions and more U.S. labor data due this week.

Japanese stocks jumped and the **yen** fell as the risk of further tightening in monetary policy this year faded, while the sizzling rally in Hong Kong's share market took a breather.

The **dollar** rose to a one-month high versus the yen as robustness in the U.S. jobs market backed the idea that the Federal Reserve does not need to rush to cut interest rates.

Longer-dated U.S. Treasury yields rose on Wednesday after economic data pointed to a stable labor market while investors monitored escalating Middle East hostilities after Iran fired missiles against Israel.

Oil prices were higher in early trade as investors weighed the escalating conflict in the Middle East and the potential for disruption to crude flows, against an amply-supplied global market.

Gold prices edged lower, as traders focused on developments in the Middle East conflict and anticipated key U.S. economic data that may provide clues about the rate cuts expected later in the year.

Markets	Last	Change	YTD change
GIFT Nifty 50	25,699.50	-0.44%	-
Nifty volatility	11.99	-6.26%	-
Nikkei	38,664.48	2.26%	15.54%
S&P 500 e-mini futures	5,754.75	-0.10%	-
CBOE volatility	18.90	-1.87%	-
USD/INR	83.82	0.03%	0.74%
Spot gold	\$2,655.69 /oz	-0.08%	28.76%
Brent crude	\$74.64 /bbl	1.00%	-3.12%
Indian 10-year bond yield	6.7320%	-1.80 bps	-44.40 bps
U.S. 10-year Treasury yield	3.7904%	0.54 bps	-6.96 bps

FII & DII Trading Activity in Equities Oct 1	Buy	Sell	Net
Domestic Institutional Investors (DII) in INR	144.35 bln	98.26 bln	46.10 bln
Foreign Institutional Investors (FII) in INR	126.28 bln	182.07 bln	-55.79 bln

(Source: National Stock Exchange of India Ltd.)

INDIA TOP NEWS

India tightens rules for booming equity derivatives market

India's market regulator tightened the rules for equity derivatives trading on Tuesday, raising the entry barrier and making it more costly to trade in the asset class, despite pushback from investors.

Government picks three new members to join RBI's rate-setting panel

India's government said on Tuesday it had appointed Ram Singh, Saugata Bhattacharya and Nagesh Kumar as new members of the central bank's rate-setting monetary policy committee.

Anil Ambani's Reliance Group to develop solar, hydro power projects in Bhutan

Anil Ambani-run Reliance Group said on Wednesday it would jointly develop solar and hydro power projects in Bhutan along with the government's investment arm.

Indian SUVs outpace small cars as top carmakers' Sept sales to dealers drop

Certain EV tax rule changes hurt Tata Motors' sales to dealers in September, while tumbling demand for Maruti Suzuki's small- and mid-sized cars kept them from joining some other Indian automakers' SUV-led sales jump, data showed on Tuesday.

India braces for above-average rains, rising temperatures in October

India is likely to receive above average rainfall in October after unusually high volumes for the past three months, a senior weather department official said on Tuesday, which could damage summer-sown crops ready for harvesting.

GLOBAL TOP STORIES**Israel strikes heart of Beirut, killing six**

Israel bombed central Beirut, killing at least six people, after its forces suffered their deadliest day on the Lebanese front in a year of clashes against Iran-backed armed group Hezbollah.

EU has enough support to impose Chinese EV tariffs, sources say

France, Greece, Italy and Poland will vote on Friday in favour of tariffs of up to 45% on imports of electric vehicles (EVs) made in China, sources said, enough to push through the European Union's highest profile trade measures, risking potential retaliation from Beijing.

US dockworker strike enters second day with talks at a standstill

A strike by 45,000 dockworkers halting shipments at U.S. East Coast and Gulf Coast ports entered its second day on Wednesday with no negotiations currently scheduled between the two sides, sources told Reuters.

PICTURE OF THE DAY



Jamaica's Prime Minister Andrew Holness shakes hands with his Indian counterpart Narendra Modi before their meeting at the Hyderabad House in New Delhi, October 1. REUTERS/Adnan Abidi

(Compiled by Shreya Sabharwal in Bengaluru)

For questions or comments about this report, contact:
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