

India Morning Newsletter

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Investor anxiety might continue to prevail after the **Nifty Volatility Index** rose to a one-month high of 15.08 on Monday amid the prospect of a wider Middle East conflict and receding hopes for an aggressive rate cut by the U.S. Federal Reserve in November. Overnight, **Wall Street indexes** closed around 1% lower and **Treasury yields** rose on rising bets the Fed might hold rates steady in its next meeting. Opening of mainland Chinese markets after the Golden Week holiday could also add pressure on **Indian equities**, as foreign investors might withdraw funds. Concerns over lacklustre India corporate earnings also weighed on traders' minds. A broad-based sell-off on Monday for a sixth session led to **Nifty 50** losing 0.87% and **Sensex** shedding 0.78%. **Small- and mid-caps** lost around 2% as overstretched valuations led to profit-booking. **IT sector** was the only exception, with a 0.7% jump. Among individual stocks, **LTMindtree** gained 2.3% and **Mphasis** rose 1% after J.P.Morgan upgraded the stocks to "overweight". Meanwhile, despite pressure from equity-related outflows, **rupee** ended flat on RBI intervention. Separately, Indian states will look to raise an aggregate 187 billion rupees through a **sale of bonds** maturing in five to 25 years.

FACTORS TO WATCH

- The **National Stock Exchange** added **IDFC First Bank Ltd** and **Punjab National Bank** to its Futures and Options ban list, while retaining **Bandhan Bank**, **Birlasoft**, **Granules**, **Gujarat Narmada Valley Fertilizers & Chemicals Limited**, **Hindustan Copper**, **Manappuram Finance** and **RBL Bank**.

STATE OF THE MARKETS

Indian shares are set to open flat, as caution prevails amid a wider Middle East conflict, while investors may remain on the sidelines ahead of local quarterly earnings and a rate decision by the Reserve Bank of India.

Indian bond yields are expected to move up marginally in opening trades, as the 10-year U.S. yield crossed the psychologically critical 4% mark, with some talks of a status quo from the Federal Reserve next month. The **benchmark 10-year bond yield** is likely to move between 6.83% and 6.87%, compared with its previous close of 6.8507%.

The **Indian rupee** is expected to hold near all-time lows amid U.S. Treasury yields hitting the highest in two months and relentless equity outflows.

Wall Street's three major indexes closed down around 1% on Monday while **Treasury yields** rose, as traders tamped down bets for Federal Reserve interest-rate easing and worried about the Middle East conflict's impact on oil prices.

Mainland Chinese stocks got off to a roaring start following their return from an extended break, scaling multi-year highs as investor exuberance over Beijing's aggressive stimulus measures showed no signs of easing.

The **dollar** clung to seven-week highs against major currencies as investors ponder the outlook for U.S. rates after a strong jobs report last week dashed bets for large rate cuts, while escalating tensions in Middle East dented risk

sentiment.

The **benchmark U.S. Treasury 10-year yield** topped 4% for the first time in more than two months on Monday, while a widely watched part of the yield curve briefly inverted, as markets reduced bets of another super-sized rate cut following Friday's strong U.S. jobs report.

Oil prices edged lower as traders booked profits after prices rallied to their highest in over a month on Monday amid fears that the Middle East could be on the brink of a region-wide war.

Gold prices were flat as market participants awaited minutes of the U.S. Federal Reserve's last meeting and more economic data for further clarity on policy easing this year.

| Markets | Last | Change | YTD change |
|-----------------------------|----------------|-----------|------------|
| GIFT Nifty 50 | 24,895.00 | 0.03% | - |
| Nifty volatility | 15.08 | 6.74% | - |
| Nikkei | 38,871.31 | -1.17% | 16.16% |
| Hang Seng | 21,722.82 | -5.96% | 27.43% |
| S&P 500 e-mini futures | 5,744.75 | 0.00% | - |
| CBOE volatility | 22.64 | 17.86% | - |
| USD/INR | 83.98 | 0.01% | 0.93% |
| Spot gold | \$2,637.03 /oz | -0.25% | 27.85% |
| Brent crude | \$80.03 /bbl | -1.11% | 3.88% |
| Indian 10-year bond yield | 6.8460% | 1.70 bps | - |
| U.S. 10-year Treasury yield | 4.0041% | -2.19 bps | - |

| FII & DII Trading Activity in Equities Oct 7 | Buy | Sell | Net |
|---|------------|------------|------------|
| Domestic Institutional Investors (DII) in INR | 239.24 bln | 106.79 bln | 132.45 bln |
| Foreign Institutional Investors (FII) in INR | 140.57 bln | 223.51 bln | -82.93 bln |

(Source: National Stock Exchange of India Ltd.)

INDIA TOP NEWS

PREVIEW-India central bank seen on hold, but may open door to easing

India's central bank is likely to keep rates steady on Wednesday, with a small number of investors betting on the probability of a change in stance to neutral, opening the door to rate cuts as economic growth slows and global rates ease.

India prepared to handle oil supply hit from Middle East conflict, oil minister says

India will be able to navigate through any hit to oil supplies from the potential widening of the Middle East conflict, oil minister Hardeep Singh Puri said on Monday.

UAE wealth fund starts operations in India's new finance hub

Abu Dhabi Investment Authority, the largest sovereign wealth fund in the United Arab Emirates, has started operations in an Indian tax-neutral finance hub, the government said on Monday.

Former Amazon India head nominated to lead Nestle's India operations

Nestle India's Swiss parent is betting on former Amazon India head Manish Tiwary to steer the packaged foods giant's unit as it grapples with stagnant sales and increased competition in the world's most populous country.

Ola shares slide after spat with Indian comedian over e-scooter maker's service

Ola Electric's shares tumbled on Monday after a public spat between the founder of India's biggest e-scooter maker and a comedian revived questions over service at the SoftBank-backed company, whose sales are falling.

GLOBAL TOP STORIES**Israel-Hezbollah fighting intensifies, as memorials mark war anniversary**

Hezbollah fired rockets at Israel's third-largest city, Haifa, and Israel looked poised to expand its offensive into Lebanon on Monday, one year after the devastating Hamas attack on Israel that sparked the Gaza war.

Japan real wages back down again after bump from summer bonuses

Japan's inflation-adjusted wages fell in August after two months of increase during the summer bonus season, government data showed, knocking chances of the central bank raising interest rates any time soon.

US judge orders Google to open up app store to competition

A U.S. judge on Monday ordered Alphabet's Google to overhaul its mobile app business to give Android users more options to download apps and to pay for transactions within them, following a jury verdict last year for "Fortnite" maker Epic Games.

PICTURE OF THE DAY



A woman holds a placard reading, "Palestine will be free", during a protest to show solidarity with Palestinians, amid the ongoing conflict between Israel and Hamas, exactly one year since the deadly attack on Israel by the Islamist militant group, at Jantar Mantar in New Delhi, October 7. REUTERS/Anushree Fadnavis

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