

India Morning Newsletter

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All eyes this week will be on the **Federal Reserve's** rate cut decision, with the U.S. central bank expected to lower borrowing costs by another 25 basis points on Wednesday. Investors are likely to focus on the comments from policymakers on further course of easing. Indian IT firms, which earn a significant share of their revenue from the U.S., gained 3% last week on expectations of a Fed rate cut. Domestic **benchmarks** gained for the fourth straight week as easing retail inflation boosted consumer stocks. The **HSBC Manufacturing , Composite and Services PMI** data, due later in the day, will be closely watched, along with data on the **Wholesale Price Index**, which is expected to have eased slightly to 2.2% in November from 2.36% in October. Meanwhile, the **rupee** logged its sixth consecutive weekly decline as pressure remained due to heightened demand for the U.S. dollar in the non-deliverable forwards market and a weaker **yuan**. However, the currency closed stronger in the previous session, helped by inflows. Economists say the rupee will likely become more volatile due to the effects of U.S. policies or a bigger-than-expected move in the Chinese yuan. On the IPO front, markets will keep a close eye on fintech company **MobiKwik** and budget retailer **Vishal Mega Mart**, set to make their trading debut on Wednesday.

FACTORS TO WATCH

- 10:30 am **HSBC Manufacturing Flash PMI** for Dec: Expected 56.9; Prior 56.5
- 10:30 am **HSBC Services Flash PMI** for Dec: Expected 58.9; Prior 58.4
- 10:30 am **HSBC Composite Flash PMI** for Dec: Expected 58.8; Prior 58.6
- 12:00 pm **WPI Inflation YY** for Nov: Expected 2.20%; Prior 2.36%
- The National Stock Exchange added **Manappuram Finance** and **Steel Authority of India** to its Futures and Options ban list, while retaining **Granules India, Hindustan Copper, Metropolis, National Aluminium, PVR Inox** and **RBL Bank**.

STATE OF THE MARKETS

Indian shares are likely to open little changed, in-line with Asian peers, kicking off a week where U.S. Federal Reserve's meeting will be in focus, with a quarter of a percentage point rate cut seen almost imminent.

Indian government bonds are expected to start the week with an upward bias, tracking an uptick in U.S. Treasury yields, while focus would remain on the Federal Reserve's monetary policy decision.

The Indian **rupee**, having witnessed slight relief late last week, is likely to come under renewed strain on the back of a further rise in U.S. Treasury yields.

U.S. stocks closed out the trading week near the unchanged mark in a subdued session on Friday, with the **S&P 500** and **Dow** posting weekly declines, while the **Nasdaq** secured its fourth consecutive week of gains.

Asian stock markets were in a wary mood as surging bond yields challenged equity valuations, particularly for

the richly priced tech sector, in a week packed with central bank meetings and major economic data.

The **U.S. dollar** hovered close to a three-week peak versus major peers amid expectations the Federal Reserve will cut interest rates this week but then signal a measured pace of easing for 2025.

Benchmark **10-year U.S. Treasury yields** rose to a three-week high on Friday before the Federal Reserve is expected to cut rates next week by 25 basis points and signal it will pause rate cuts as it grapples with inflation running above its 2% annual target.

Oil futures eased from their highest levels in weeks as investors awaited a meeting of the Federal Reserve later this week for indication of further rate cuts.

Gold prices inched higher as investors anticipated a potential interest rate cut by the Federal Reserve this week, with focus on the central bank's language on rate cuts next year.

Markets	Last	Change	YTD change
GIFT Nifty 50	24,774.50	0.07%	-
Nifty volatility	13.05	-1.04%	-
Nikkei	39,543.29	0.18%	18.17%
Hang Seng	19,962.33	-0.04%	17.10%
S&P 500 e-mini futures	6,060.50	0.08%	-
CBOE volatility	13.81	-0.79%	-
USD/INR	84.83	0.05%	1.97%
Spot gold	\$2,653.10 /oz	0.18%	28.63%
Brent crude	\$74.31 /bbl	-0.24%	-3.54%
Indian 10-year bond yield	6.7290%	-0.70 bps	-44.70 bps
U.S. 10-year Treasury yield	4.3888%	-1.02 bps	52.88 bps

FII & DII Trading Activity in Equities Dec 13	Buy	Sell	Net
Domestic Institutional Investors (DII) in INR	96.17 bln	103.49 bln	-7.32 bln
Foreign Institutional Investors (FII) in INR	159.68 bln	136.33 bln	23.35 bln

(Source: National Stock Exchange of India Ltd.)

INDIA TOP NEWS

Ambani's Reliance buys 16.28 billion rupees stake in Mumbai industrial city

India's Reliance Industries said on Friday it has bought a 74% stake in an industrial area developer, situated in the country's financial hub of Mumbai, for 16.28 billion rupees.

Domestic, global headwinds challenge Indian central bank's fx intervention

The Reserve Bank of India's efforts to slow the rupee's decline have been relentless but its already-stretched strategy is now challenged by weak economic growth, tepid foreign inflows and a buoyant dollar's threat to Asian currencies, especially the Chinese yuan.

MobiKwik IPO gets bids worth \$4.7 billion as investors bet on fintech growth, listing gains

Investors flocked to India's MobiKwik's \$67 million IPO with bids for about 120 times the shares on offer, betting on strong listing gains and the fintech company's prospects in a booming online payments market.

Indian budget retailer Vishal Mega Mart's IPO draws bids worth \$19 billion

Vishal Mega Mart's initial public offering drew bids worth \$19 billion on Friday as institutional investors piled in, underscoring confidence in the budget retailer's growth prospects and its resilience amid a quick-commerce boom.

India's rice stocks surge to record high, boosting export prospects

Rice inventories in India surged to a record high at the start of December, reaching more than five times the government's target and potentially boosting overseas shipments from the world's biggest exporter of the staple food.

GLOBAL TOP STORIES**China's factory output quickens in Nov, but consumption still a drag**

China's industrial output quickened slightly in November, while retail sales disappointed, keeping pressure on Beijing to ramp up stimulus for a fragile economy as it braces for more U.S. trade tariffs under a second Trump administration.

Bitcoin surges above \$106,000 on strategic reserve hopes

Bitcoin surged to a record high above \$106,000 in early Asian trade, boosted by comments from President-elect Donald Trump that suggested he plans to create a U.S. bitcoin strategic reserve similar to its strategic oil reserve.

Japan's factory activity softens for 6th straight month, PMI shows

Japan's factory activity shrank for the sixth straight month on lacklustre demand while the service sector extended gains in December, business surveys showed, highlighting the economy's increasing reliance on services.

PICTURE OF THE DAY



Construction workers sit beside a fire to keep themselves warm after a day's work ahead of the "Kumbh Mela", or the Pitcher Festival, in Prayagraj, December 13. REUTERS/Ritesh Shukla

(Compiled by Priyada K S in Bengaluru)

For questions or comments about this report, contact:
reuters.marketwatch@thomsonreuters.com

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

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