

# India Morning Newsletter

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Markets are likely to remain cautious today after facing selling pressure in the previous session, as investors await the **U.S. Federal Reserve's** interest rate decision. The Fed is widely expected to cut interest rates by a quarter-point, and focus will be on the central bank's Summary of Economic Projections and comments from Chair **Jerome Powell**, which may indicate how aggressive it will be in cutting rates in 2025. Expectations for 2025 policy may be tempered by persistent inflation and strong economic data. **Indian equity benchmarks** fell in the previous session, with the **Nifty 50** closing below the 50-day moving average. Analysts said foreign investors likely sold stocks after data showed India's trade deficit widened to a record level in November. Concerns of widening trade deficit also hurt the **rupee** as the currency weakened to its lifetime low, although intervention by the central bank capped losses. Traders said the rupee could hit the 85-mark in the next few sessions. Separately, fintech company **MobiKwik** and budget retailer **Vishal Mega Mart** are set to make their trading debut later in the day. 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** during the day.

## FACTORS TO WATCH

- The National Stock Exchange added **Bandhan Bank, Chambal Fertilisers and Chemicals** and **PVR Inox** to its Futures and Options ban list, while retaining **Granules India, Hindustan Copper, Manappuram Finance, National Aluminium, RBL Bank** and **Steel Authority of India**.

## STATE OF THE MARKETS

**Indian stocks** are likely to open flat, as investors remain cautious ahead of the U.S. Federal Reserve's policy decision, which will be closely analyzed for indications of its future rate-cut strategy.

**Indian government bond yields** are expected to be largely unchanged, a day after the benchmark yield breached a key level, while investors' focus remains on the U.S. Federal Reserve's monetary policy decision and outlook.

The Indian **rupee** is likely to hold near its lifetime low, as the market awaits the Federal Reserve's projection on how many times it will cut rates next year.

**U.S. stocks** retreated on Tuesday and the **Dow** dropped for a ninth straight session, as investors exercised caution ahead of the Federal Reserve's last policy announcement of the year after economic data indicated consumer spending remained solid.

**Asian stocks** were pinned near two-week lows and the **dollar** hit milestone highs in the countdown to an expected U.S. interest rate cut, while automakers' shares leapt in Japan on reports of a merger between industry giants Honda and Nissan.

The **U.S. dollar** held steady against the **yen** and other major rivals as investors waited to see whether the Federal Reserve will deliver a hawkish cut before the Bank of Japan and other central banks meet this week.

**U.S. Treasury yields** drifted lower on Tuesday in choppy trading, ahead of a Federal Reserve policy decision that is widely expected to cut interest rates at the conclusion of its two-day meeting on Wednesday, and likely signal it will pause lowering rates for the time being.

**Oil** prices were steady in early trading as investors remained cautious ahead of an expected interest rate cut by the U.S. Federal Reserve.

**Gold** prices firmed as investors held back from taking big positions ahead of the Federal Reserve's upcoming monetary policy decision.

Markets	Last	Change	YTD change
GIFT Nifty 50	24,358.00	-0.03%	-
Nifty volatility	14.49	3.32%	-
Nikkei	39,318.31	-0.12%	17.49%
Hang Seng	19,881.38	0.92%	16.62%
S&P 500 e-mini futures	6,059.75	0.10%	-
CBOE volatility	15.87	8.03%	-
USD/INR	84.90	-0.01%	2.05%
Spot gold	\$2,649.67 /oz	0.16%	28.46%
Brent crude	\$73.35 /bbl	0.22%	-4.79%
Indian 10-year bond yield	6.7590%	1.80 bps	-41.70 bps
U.S. 10-year Treasury yield	4.3888%	0.38 bps	52.88 bps

FII & DII Trading Activity in Equities Dec 17	Buy	Sell	Net
Domestic Institutional Investors (DII) in INR	119.97 bln	92.90 bln	27.06 bln
Foreign Institutional Investors (FII) in INR	155.59 bln	219.68 bln	-64.10 bln

(Source: National Stock Exchange of India Ltd.)

## INDIA TOP NEWS

### **India plans up to 25% temporary tax to curb cheap Chinese steel imports**

India is likely to impose a "safeguard duty" or temporary tax of up to 25% on steel imports, industry and government sources said, to help to curb cheap imports from top producer China.

### **EXCLUSIVE-LG Energy Solution, JSW discuss \$1.5 billion battery venture, sources say**

South Korea's LG Energy Solution is in talks with JSW Energy to manufacture batteries for electric vehicles and renewable energy storage in a joint venture that would need an investment of over \$1.5 billion, two sources told Reuters.

**Adani-owned Ambuja Cements to merge with two units**

India's Ambuja Cements will merge two of its recently purchased units into the company, it said on Tuesday, in a bid to streamline the structure of the Adani Group's cement businesses and simplify compliance requirements.

**Indian finance minister says Q2 growth slowdown a 'blip', higher growth coming**

The Indian economy will see healthy growth in coming quarters, and the slowdown in growth from July-September was a "temporary blip", Finance Minister Nirmala Sitharaman said on Tuesday.

**India's central bank lifts restrictions on Edelweiss Group companies**

India's central bank on Tuesday lifted restrictions on two Edelweiss Group companies that barred them from acquiring financial assets or undertaking structured transactions.

**GLOBAL TOP STORIES****Honda, Nissan move to closer tie-up as competition intensifies, source says**

Honda and Nissan are moving towards a closer tie-up with talks of setting up a holding company, a source said, in the clearest sign yet of reorganisation in Japan's auto industry in response to immense challenges posed by Tesla and Chinese rivals.

**Trump bump? Fed officials prepare projections into new presidential term**

Fed officials are also likely to dial back projections of just how much more they'll cut interest rates next year. To be sure, they are likely to be reluctant to lay it at Donald Trump's feet - instead pointing to a run of recent data showing solid momentum into next year that is likely to propel growth, hold down unemployment and keep them on their toes about inflation.

**Japan's exports rise faster than expected, helped by weaker yen**

Japan's exports rose faster than expected in November, data showed, helped by a weaker yen and solid global demand although businesses worry protectionist U.S. trade policies will undermine future growth.

## PICTURE OF THE DAY



People walk on the stairs of a footbridge as the sky is enveloped in smog caused by air pollution in Delhi, December 17.  
REUTERS/Priyanshu Singh

(Compiled by Priyada K S in Bengaluru)

For questions or comments about this report, contact:  
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