

Markets at 2-mth high, ₹ rebounds

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Indian equities gained on Tuesday, with the benchmark Nifty closing at its highest level in two months, as optimism over the resumption of India-US trade talks and expectations of a US Federal Reserve rate cut buoyed sentiment.

The Nifty rose 170 points, or 0.7 per cent, to 25,239 — its best finish since July 10. The Sensex climbed 595 points, or 0.7 per cent, to 82,381 — its highest close since July 23. The total market capitalisation of BSE-listed companies increased by ₹2.8 trillion to ₹463 trillion.

The rupee extended its winning streak to a third day, supported by optimism over trade talks and weakness in the US dollar against other currencies. The currency appreciated 16 paise to close at 88.06.

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Trade discussions between New Delhi and Washington resumed in New Delhi on Tuesday. The talks come just weeks after US President Donald Trump doubled tariffs on Indian goods to 50 per cent — the steepest in Asia — in response to India's Russian oil imports.

“The resumption of talks offers hope that tariff barriers could come down, reviving the ‘hope trade’ of Indian manufacturing benefiting from supply-chain diversification away from China,” said Pramod Gubbi, co-founder of Marcellus Investment Managers. “For now, it is largely retail flows into mutual funds that have kept markets afloat despite four to five quarters of earnings disappointments.”

Both foreign portfolio investors (FPIs) and domestic institutional investors (DIIs) were net buyers. FPIs invested ₹308 crore, while DIIs added ₹1,519 crore.

Investor focus is also on the US Federal Reserve's policy review this week, amid expectations of a 25-basis-point rate cut. A softer Fed stance typically improves the appeal of emerging markets like India while also supporting information technology (IT) and export-oriented sectors with significant US exposure.

The rupee had hit a record low of 88.44 against the dollar during the previous week, pressured by strong dollar demand from importers amid concerns over potential US tariffs.

On Tuesday, the dollar index declined by 0.3 per cent, supporting a rally in most Asian currencies, including the rupee. “The local currency was also bolstered by a rebound in domestic equities, driven by optimism for a positive outcome in the US–India trade negotiations,” said Dilip Parmar, senior research analyst, HDFC Securities.

Going forward, markets will watch whether corporate earnings pick up meaningfully from the December quarter, aided by measures such as the goods and services tax cut and progress in trade talks. “We need mid-teens earnings growth to justify current valuations,” Gubbi added. “Absent that, either earnings recovery or a valuation correction will be necessary to attract sustained institutional flows.”

Market breadth was positive, with 2,471 stocks advancing against 1,660 declines. Larsen & Toubro, up 2.3 per cent, and Bharti Airtel, up 1.8 per cent, were the biggest contributors to the Sensex gains.

All sectoral indices except FMCG ended higher. Auto, IT, oil & gas, and metals were among the top performers.

“We expect the market's gradual uptrend to continue, with near-term direction hinging on the outcome of trade negotiations and the Fed's rate decision,” said Siddhartha Khemka, head of research for wealth management at Motilal Oswal Financial Services.