

Indices rebound on global cues despite high US inflation

Dip in dollar and bonds boosts global equities

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Indian markets joined global peers in a broad rally after the US equity markets rose overnight despite a high retail inflation print. A retreat in the US dollar and bonds, and oversold market conditions propelled the gains, market insiders said.

Domestic benchmark indices BSE Sensex and NSE Nifty surged 2 per cent in early trade, but gave up nearly half the gains. After rising around 1,200 points, the Sensex closed at 57,920, a gain of 684 points or 1.2 per cent. The Nifty finished at 17,185, a gain of 171 points or 1 per cent. The rally on both indices helped narrow the weekly loss to slightly less than 1 per cent. The US' core consumer price index-based inflation, which excludes food and energy, increased 6.6 per cent from a year ago.

The rebound has left analysts puzzled, with some attributing it to buying by algorithm trading programmes, and others feeling that the sell-off in equities was overdone in recent weeks and resulted in short covering.

"This was one of those oversold market rebounds. The markets gave up much of the gains. We were much higher in the morning. The market has been flat this year despite the rallies and slumps. It is going to be range-bound with a downward bias at least till the next US Fed meeting," said Jyotivardhan Jaipuria, founder of Valentis Advisors.

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BACK IN THE GREEN

Sensex



Top five Sensex gainers

As on Oct 14

	Price (in ₹)	One-day chg (%)
GAINERS		
Infosys	1,474.1	3.8
HDFC Bank	1,441.1	3.4
HDFC	2,344.9	2.7
HCL Technologies	1,002.5	2.1
Kotak Mahindra Bank	1,834.6	1.9

World indices

Change %

Name	Country	One-day
Dow Jones	USA	-0.39
Nasdaq	USA	-1.46
Euro Stoxx 50	Euro Zone	0.84
FTSE 100	Britain	0.33
Nikkei 225	Japan	3.3
Hang Seng	Hong Kong	1.2

Data till 20:45 IST

Source: Bloomberg/exchanges

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Andrew Holland, chief executive officer of Avendus Capital Alternate Strategies, said investors were comforted by the absence of additional shocks.

“The likely outcome is that the US Fed will raise rates by 75 basis points, but it’s not going to be worse than that. Moreover, the pound and some of the other currencies improved, and we had a slightly weakened dollar. There was no real surprise from inflation numbers,” he said.

Meanwhile, Rajesh Bhatia, managing director and chief investment officer at ITI Long Short Equity Fund, said Friday’s rise was the result of a short covering rally. “There has been excessive pessimism in the global equity markets, and so in spite of higher-than-expected inflation in the US, the global markets have rallied since market participants were already positioned in a bearish manner.”

Investors are expecting the US Fed to hike rates by 75 bps each in the next two monetary policy meetings, and see the interest rate moving beyond 4.8 per cent before the monetary tightening ends.

The US central bank has raised lending rates by 0.75 percentage points at each of its past three meetings, taking its benchmark interest rate to 3-3.25 per cent. In the minutes of its September monetary policy meeting that was released on Wednesday, the

Exports initial da

The growth in exports in September was mainly driven by a jump in demand for petroleum products, electronic goods, gems and jewellery, organic and inorganic chemicals, and drugs and pharmaceuticals.

However, items such as engineering goods that comprised over 23 per cent of the total exports in September contracted 10 per cent year-on-year to \$8.39 billion. Similarly, the export of other key items from labour intensive industries such as cotton yarn, apparel, and handicraft also witnessed a decline in September as compared to the year-ago period. Outbound shipments for iron ore and plastics also declined.

Non-petroleum, non-gems and jewellery exports declined 4.58 per cent YoY

US Fed said it was concerned about doing “too little” to stamp out soaring inflation. The series of rate hikes have intensified concerns that a prolonged slowdown might be the price of curbing inflation.

The market breadth was mixed on Friday with 1,830 stocks advancing and 1,616 declining. The Nifty Midcap 100 index fell 0.1 per cent, finishing the week with nearly 3 per cent decline.