

# Markets slide on US Fed's hawkish tilt

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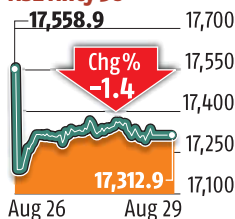
India's benchmark indices dropped on Monday, along with global peers, as US Federal Reserve Chairman Jerome Powell's comments on keeping interest rates high rattled investors who were hoping that the economic slowdown would prompt a less restrictive policy and a pause in rate hikes soon.

The Sensex finished at 57,972, down 861 points, or 1.46 per cent – the most since June 16, even as the 30-share index slumped as much as 1,466 points, or 2.5 per cent, in intra-day trade. The Nifty, on the other hand, plunged 246 points, or 1.40 per cent, to settle at 17,313.

The fall seen in the Indian markets was less severe compared to the Friday sell-off on Wall Street, where key gauges declined over 3 per cent. Main US indices were trading in the red on Monday as well. The Dow Jones Industrial Average and the S&P500 were down about 0.8 per cent and 0.7 per cent as of 20:10 IST. Turn to Page 6 ▶

## GETTING THE JITTERS

### NSE Nifty 50



### Top losers 1-day chg (%)

Tech Mahindra	-4.6
Infosys	-3.9
Wipro	-3.1
HCL Tech	-3.0
TCS	-2.8

### Major Asian indices 1-day chg (%)

Shanghai Index	0.1
Nikkei 225	-2.7
Taiwan Taiex	-2.3
Kospi	-2.2
Straits Times	-0.8
Hang Seng	-0.7

Source: Bloomberg/Exchange  
Compiled by BS Research Bureau

RBI SUPPORT  
PULLS ₹ UP  
FROM FRESH  
LOWS  
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DOLLAR  
HITS  
20-YEAR  
HIGH  
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out,” observed Vijayakumar.

## Markets...

In his speech at the Jackson Hole symposium on Friday, Powell said that restoring price stability would take time and require forceful utilisation of monetary policy tools. He added that economic distress could be an inevitable outcome of reducing inflation. Powell warned against easing monetary policy prematurely and said the historical record strongly cautions against such a move.

Powell's remarks disappointed investors who were hoping to see rate cuts next year amid slowing growth. Investors fear that higher interest rates could lead to further earnings downgrades for companies, more defaults and, hence, elevated volatility.

His comments triggered risk-off bets in global markets with equities and bitcoin dropping, and US bonds and dollar gaining. Foreign portfolio investors (FPIs) pulled out over ₹560 crore from domestic stocks on Monday. The rupee slumped and breached the 80 mark against the US dollar intra-day to hit a new all-time low. A falling rupee could hurt FPI flows as currency depreciation eats into their gains. FPI flows had helped Indian equities surge from their June lows.

“Before Jackson Hole, the markets were still optimistic that the Fed will be a little less hawkish. But Powell's speech made it clear that they are planning to keep interest rates higher to fight inflation. And when he talks about the pain, it really means that there is no soft landing anymore. It is going to be more like a hard landing. And that's what the market has to grapple with,” said Andrew Holland, CEO, Aventus Capital Alternate Strategies

The Indian markets have shown high correlation to their counterparts in the US this year. Experts say any fall in US equities could reflect in the domestic markets as well.

“The US Fed is clearly signalling that it may be willing to induce a deeper and longer slowdown in the US economy in order to bring inflation under control while markets had assumed a shallow and short slowdown,” said Kotak Institutional Equities in a note.

The rise in Brent crude prices further weighed on investor sentiment. Brent on Monday was trading at around \$102 per barrel, as against \$96 per barrel a week ago. India is a net importer of oil, and the rise in crude prices could end up being inflationary.

“The sell-off in emerging markets like India was exacerbated by concerns over the possible withdrawal of foreign funds, which was the backbone of the recent market rally,” said Vinod Nair, head of research, Geojit Financial Services.

The MSCI Asia Pacific Index approached its lowest level in nearly two years after dropping more than 2 per cent on Monday. Equities across the globe have faced the heat this year due to rising interest rates and a slowdown in China. India, however, has outperformed major global markets. Analysts said volatility is likely to persist till inflation stabilises or the Chinese economy bounces back.

The market breadth was weak, with 2,106 stocks declining against 1,403 advancing on the BSE. Only six out of the 30 Sensex components managed to eke out gains. Tech stocks led the decline with Tech Mahindra dropping 4.6 per cent, followed by Infosys and Wipro, which fell 4 per cent and 3 per cent, respectively.