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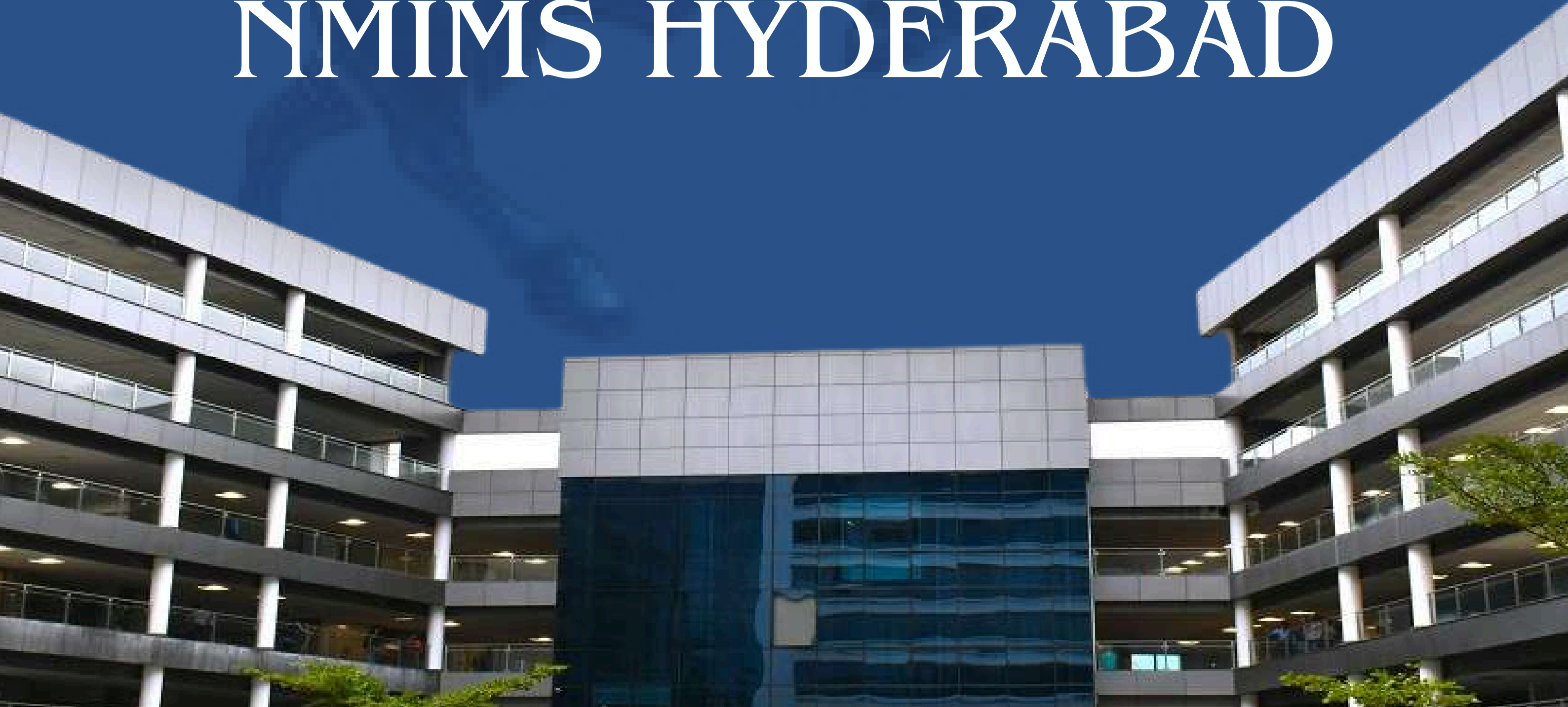


Indian Stock Market Weekly Updates

China seeks a homegrown alternative to Nvidia – these are some of the companies to watch

Gap between credit, deposit growth narrowing, RBI bulletin

FED RATE CUTS

INDIAN STOCK MARKET WEEKLY UPDATES

Indian benchmark indices, the BSE Sensex, and NSE Nifty50, surged to historic highs, ending with gains of over 1 per cent each, as they wrapped up the week in sync with the global market rally. The Sensex added as much as 1,359.51 points or 1.63 per cent to settle at 84,544.31. The index scaled a record high of 84,694.46 during intraday trade. Mirroring the Sensex, Nifty50 touched an all-time high of 25,849.25 before ending Friday's session with a gain of 375.15 points or 1.48 per cent at 25,790.95.

ICICIBANK 35.22 0.14%	HDFCBANK 31.59 0.12%	RELIANCE 28.72 0.11%	M&M 23.38 0.09%	LT 22.84 0.09%	ITC 13.44 0.05%
BHARTIARTL 12.97 0.05%	MARUTI 9.4 0.04%	COALINDIA 8.15 0.03%	JSWSTEEL 6.91 0.03%	POWERGRID 6.83 0.03%	TATASTEEL 6.09 0.02%
INFY 5.7 0.02%	KOTAKBANK 5.49 0.02%	HINDUNILVR 5.48 0.02%	EICHERMOT 4.16 0.02%	ADANIPORTS 3.94 0.02%	HINDALCO 3.71 0.01%
ADANIENT 3.56 0.01%	ULTRACEMCO 3.55 0.01%	NESTLEIND 3.31 0.01%	TATAMOTORS 2.37 0.01%	BPCL 2.29 0.01%	TITAN 2.09 0.01%
HCLTECH 2.08 0.01%	BAJAJ-AUTO 1.9 0.01%	HDFCLIFE 1.77 0.01%	ONGC 1.71 0.01%	TECHM 1.7 0.01%	BAJAJFINSV 1.63 0.01%
BRITANNIA 1.5 0.01%	DIVISLAB 1.45 0.01%	SBILIFE 1.07 0%	SUNPHARMA 0.97 0%	ASIANPAINT 0.86 0%	TATACONSUM 0.85 0%
HEROMOTOCO 0.72 0%	DRREDDY 0.63 0%	APOLLOHOSP 0.47 0%	SBIN 0.43 0%	INDUSINDBK 0.24 0%	SHRIRAMFIN 0.17 0%
BAJFINANCE 0.13 0%	LTIM 0.06 0%	WIPRO -0.06 0%	NTPC -1.34 -0.01%	CIPLA -1.43 -0.01%	GRASIM -1.78 -0.01%
AXISBANK -2.28 -0.01%	TCS -5.47 -0.02%				

The day ended in favor of the bulls, as 44 out of 50 constituent stocks on Nifty50 ended higher with gains. Mahindra & Mahindra (M&M) led the gainers on the National Stock Exchange (NSE) with a rise of 4.17%. Following closely, JSW Steel saw an increase of 3.42%, while Eicher Motors gained 3.19%. Coal India and Larsen & Toubro (L&T) also performed well, rising by 3.11% and 2.59%, respectively.

On the flip side, Tata Consultancy Services (TCS) emerged as the top loser, declining by 0.54%. Axis Bank followed closely with a drop of 0.49%, and NTPC fell by 0.46%. Cipla and State Bank of India (SBI) also experienced slight declines, with losses of 0.44% and 0.15%, respectively. Broader indices, too, ended in the green, in tune with the benchmark, as the Nifty Midcap 100 index rose 1.44 per cent, and the Nifty Smallcap 100 index gained 0.98 per cent on Friday.

All sectoral indices, barring Nifty PSU Bank, ended in positive territory on Friday. The Nifty Realty index outperformed others, ending 3.05 per cent higher, while Bank Nifty, Financial Services, Auto, FMCG, Metal, and Private Bank indices posted gains of over 1 per cent each.

Reliance Infrastructure gains over 12%

Shares of Anil Ambani's Reliance Infrastructure Ltd (RIIL) surged more than 12%, hitting a new 52-week high of Rs 320.40 on the NSE. This sharp rise came after the company's board approved a significant fundraising initiative.

Tata Consultancy Services gains higher

Tata Consultancy Services (TCS) has announced the expansion of its operations in Poland with the opening of a new global delivery centre in Warsaw. This strategic move aims to enhance the company's service offerings in the region. Despite the expansion, TCS shares are trading flat on the National Stock Exchange (NSE) at Rs 4,298.95.

IIFL Finance soared 12%

Shares of IIFL Finance soared 12% in early trading on Friday after the company announced that the Reserve Bank of India (RBI) had lifted restrictions on its gold loan business. The stock surged 12.33%, reaching Rs 555.25, up from the previous close of Rs 494.30. The company's market capitalization climbed to Rs 22,972 crore.

Tata Power Shares in Focus Today

The company has announced its involvement in a legal dispute with Adaro International (Singapore) Pte regarding a coal supply agreement signed in August 2020 for the Trombay power plant. The conflict has escalated to the International Court of Arbitration under the International Chamber of Commerce, with both parties filing substantial claims against one another

Suzlon Energy Shares Rise Following Exclusion from ASM Framework

Shares of Suzlon Energy, a provider of renewable energy solutions, experienced gains on Friday after the company was removed from the Stage 1 Additional Surveillance Measure (ASM) framework. Previously, Suzlon's stock had been placed under this regulatory mechanism by the stock exchange due to concerns over unusual price movements.

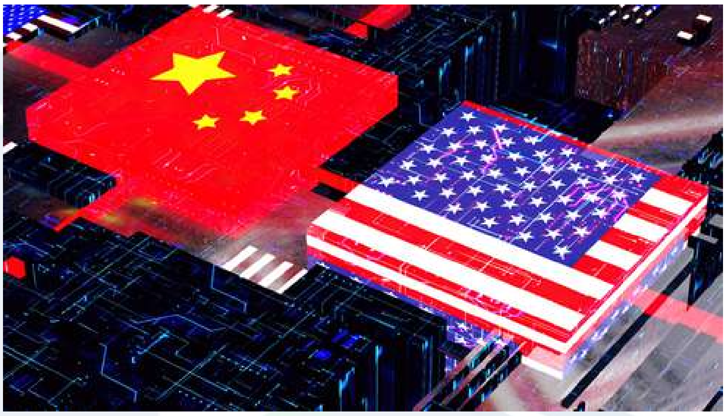
The ASM framework is designed to monitor and control volatility in stocks, with criteria for shortlisting securities that include high-low variation, client concentration, the number of price band hits, close-to-close price variation, and price-earnings ratio. Stocks under Stage 1 ASM face heightened scrutiny, requiring investors to meet a 100% margin requirement for trades.

SUZLON

CHINA SEEKS A HOMEGROWN ALTERNATIVE TO NVIDIA — THESE ARE SOME OF THE COMPANIES TO WATCH

Key Points

- Nvidia with its graphics processing units, or GPUs, has garnered the headlines, as the key piece of hardware required to train up huge AI models, such as the likes seen from OpenAI.
- With the U.S. attempting to restrict China's access to cutting-edge semiconductors, Beijing has ramped up efforts to nurture its homegrown chip industry.
- Some of China's tech giants including Huawei, Alibaba and Baidu are among those trying to create alternatives to Nvidia.



For decades, the need for Beijing to step up on the move to strengthen its indigenous chip sector has been driven by U.S. sanctions on China's semiconductor industry. The boom of artificial intelligence and foundational models only went further to help Beijing to attain its objective: to play a leading role in the chip industry. It's been American firm Nvidia so far with its graphics processing units, or GPUs, that has received the headlines - as it designs the key piece of hardware required to train up huge AI models, including the sorts seen from OpenAI that underpin ChatGPT. While Nvidia can continue shipping certain chips to China Washington has shown its willingness to cut its tech rival off from the most cutting edge semiconductor tools needed to make them. That renewed focus on China's homegrown efforts to develop the kind of semiconductors that can underpin the world's second-largest economy's own AI industry.

CNBC spoke to two analysts who identified some of the leading Chinese competitors to Nvidia.

Huawei

Huawei is one of China's tech champions with a business that stretches from telecommunications infrastructure to consumer electronics and cloud computing. Its chip design unit goes by the name HiSilicon . The Shenzhen-headquartered company designs the Ascend series of data centre processors. Huawei then sells those chips as part of the servers entering data centers to train AI models. Its AI servers go by the brand name Atlas. The company has just launched its latest generation of chip which goes by the name Ascend 910B. According to a report from the Wall Street Journal last August, the company is said to be preparing the rolling out of the Ascend 910C, which may be equivalent to Nvidia H100. In its annual report earlier this year, the company named Huawei as a competitor in areas such as chips, software for AI and network products, among others. "It's not just about the hardware, but about the overall ecosystem, tools for developers, and the ability to continue to evolve this ecosystem going forward as the technology advances. Here, Huawei has a lot of advantages, and is trying to create a software ecosystem around its Ascend series of datacenter processors," said Paul Triolo, an associate partner at consulting firm Albright Stonebridge, CNBC reported.

Alibaba and Baidu

Alibaba and Baidu also procure Nvidia chips, but they are designing their own semiconductors for AI processes. Baidu is one of the largest Internet companies in China: it develops its own chips to be used in servers and in autonomous cars under the brand name Kunlun. Alibaba's semiconductor design unit, T-Head, has designed an AI inference chip that it said is called the Hanguang 800. Inference refers to the application process after an AI model has been trained because it refers to the application of AI in the real world, such as when a chatbot answers user queries.

Alibaba has successfully deployed the Alibaba AI inference chip on its e-commerce platform to accelerate the recommendation system. Baidu has implemented its Kunlun chip in data centers and autonomous driving. So says Wei Sun, senior analyst at Counterpoint Research speaking with CNBC.

GAP BETWEEN CREDIT, DEPOSIT GROWTH NARROWING, RBI BULLETIN

The RBI's monthly bulletin outlines critical shifts in India's banking and financial sectors, focusing on the patterns of deposit and credit growth between May 2022 and July 2024. A major highlight is the increase in the weighted average domestic term deposit rates (WADTDRs) on fresh and outstanding rupee term deposits, which rose by 245 basis points (bps) and 189 bps, respectively. This uptick reflects banks' efforts to attract more deposits amid a growing demand for credit and rising borrowing costs.

Over this period, banks have significantly raised deposit rates, with more than two-thirds of term deposits offering interest rates above 7% by June 2024, up from 33.5% in March 2023 and only 4.5% in March 2022. This change shows how banks are competing to draw in retail deposits, aiming to offset the widening gap between credit and deposit growth. Despite the higher deposit rates, credit growth has continued to outpace deposit growth. As of June 28, 2024, credit in the banking system grew by 17.3%, reaching ₹168.8 lakh crore, while deposits increased by just 11.1% to ₹212.9 lakh crore. This disparity between credit and deposit growth poses a challenge for banks, as slower deposit growth limits their ability to fund further credit expansion, especially when low-cost deposits are crucial for maintaining financial stability.

To manage this issue, banks are increasingly relying on certificates of deposit (CDs) as an alternative source of funding. CDs allow banks to raise capital quickly, but at a higher cost compared to traditional deposits. The shift towards CDs highlights the difficulties banks face in mobilizing enough deposits to meet rising credit demand.

However, this strategy may put pressure on banks' net interest margins (NIMs) since they must offer higher interest rates to attract CD investors, potentially impacting profitability.

Meanwhile,non-banking financial companies (NBFCs) have been looking to offshore bond markets to meet their funding needs. This reflects tightening liquidity conditions in the domestic market, which has pushed NBFCs to seek more affordable financing options globally.

Offshore bonds provide these firms access to a larger pool of capital, helping them sustain loan growth in an environment of increasing domestic interest rates

In contrast, microfinance institutions (MFIs) are facing challenges related to asset quality. As they often lend to economically vulnerable populations, they have experienced rising loan defaults or delays, prompting them to slow their loan growth to mitigate risks. This cautious approach could impact their profitability, as MFIs traditionally depend on rapid loan growth to drive their operations.

The overall picture shows that deposit mobilisation is becoming a key constraint for banks' ability to continue expanding credit. While deposit rates have increased, the slower pace of deposit growth compared to credit growth indicates that loan demand is still exceeding available funds.

If this trend persists, banks may face liquidity constraints, potentially slowing credit disbursement or forcing them to rely more on expensive funding sources like CDs or borrowing from other markets. This situation could lead to upward pressure on interest rates, making loans more costly for borrowers and possibly compressing banks' profit margins if the cost of raising funds continues to rise faster than the interest earned on loans.

The evolving dynamics in the banking sector reflect the ongoing challenge of balancing deposit and credit growth. As banks continue to incentivize deposits with higher rates, their ability to fund credit expansion while maintaining profitability will depend on how effectively they can manage these competing pressures. The increased reliance on CDs, offshore bonds for NBFCs, and cautious lending by MFIs underscores the broader shift in the financial ecosystem, which will likely impact the sector's operational strategies and overall stability in the near future.

RATE CUT TO BE BASED ON LONG-TERM INFLATION TRAJECTORY: RBI GOVERNOR

Reserve Bank of India (RBI) Governor Shaktikanta Das has said the decision on interest rate moderation will be based on long-term inflation trajectory and not monthly data. The Monetary Policy Committee (MPC) headed by the RBI Governor is scheduled to meet between October 7 and 9 and take call on interest rate.

"It is not a question that in the current context, like in July, the inflation came to about 3.6 per cent, that is the revised number, and August has come at 3.7 per cent. So, it is not so much how the inflation is now; we have to look at, for the next six months, for the next one year, what is the outlook on inflation.

"So, therefore, I would like to sort of step back and look more carefully at what is the future trajectory of inflation and growth, and based on that, we will take a Decision" he said.

On whether the RBI's Monetary Policy Committee (MPC) will be actively considering a rate cut in early October, Das replied, "No, I can't say that."

"We will discuss and decide in the MPC but so far as growth and inflation dynamics are concerned, two things I would like to say. One, the growth momentum continues to be good, India's growth story is intact and, so far as inflation outlook is concerned, we have to look at the month-on-month momentum," he said, adding that based on that a decision will be taken.

Das further said the rupee has been one of the least volatile currencies globally, especially since the beginning of 2023.

"The rupee has been very stable vis-a-vis the US dollar and the volatility index," he said.

Asked why the RBI had not allowed more volatility in the rupee, the governor said, "If you allow volatility, whom does it benefit? It does not benefit the economy. So why would we allow volatility?"

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He further clarified that while fluctuations in exchange rates are natural, excessive volatility would be damaging.

"The rupee has been very stable vis-a-vis the US dollar and the volatility index,"
-Reserve Bank of India (RBI) Governor Shaktikanta Das

"Our stated policy is to prevent excessive volatility of the rupee," he said, adding that maintaining a stable rupee instils confidence in the market, investors, and the broader economy.

Das further remarked that the RBI is committed to maintaining financial stability and the bank will take steps to ensure this.

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FED RATE CUTS

The recent decision by the U.S. Federal Reserve to reduce interest rates by 50 basis points has significant implications for global markets, including India. This unexpected reduction is part of the Fed's efforts to support the U.S. economy, which is dealing with a weakening job market and reduced inflation, dropping from its mid-2022 peak of 9.1% to 2.5% in August 2024. The rate cut presents both opportunities and challenges for India.

Impact on Indian Markets

Foreign Investment and Liquidity: When the Fed cuts rates, it often leads to more money available in global markets because lower U.S. interest rates encourage investors to look for higher returns in emerging markets like India. This could lead to an increase in foreign investments in Indian stocks and bonds, boosting liquidity and potentially driving up stock prices. Sectors like banking, infrastructure, and consumer goods in India, which are sensitive to interest rate changes, are expected to benefit from this influx of foreign capital.

Strengthening of the Rupee: The Fed rate cut could lead to a weaker U.S. dollar, which might strengthen the Indian rupee in the short term. A stronger rupee would lower the cost of imports, especially for commodities like crude oil. However, it could also negatively impact Indian exporters as their goods become more expensive for international buyers.

Indian Interest Rates: The Reserve Bank of India (RBI) may feel pressure to cut its own interest rates in response to the Fed's move. With India's inflation easing, a rate cut by the RBI could stimulate further economic activity by lowering borrowing costs for businesses and consumers. However, the RBI is expected to take a cautious approach, focusing on domestic factors like inflation control and financial stability before following the Fed's actions.

Sectoral Impact

Stock Markets: Indian stock indices, including the Sensex and Nifty 50, have responded positively to the Fed rate cut, with both opening at record highs following the announcement. Sectors that are capital-intensive, such as infrastructure and metals, are expected to benefit from lower interest rates, as borrowing costs decrease, encouraging investment in these areas.

Banking Sector: While the Fed rate cut might boost the broader economy, Indian banks could face challenges. Lower global interest rates might reduce the attractiveness of bank deposits, leading to declining savings account balances and impacting banks' profitability. Additionally, falling interest rates could strain banks' margins.

Bond Market: Lower U.S. interest rates could drive foreign investment into India's debt markets, reducing domestic bond yields. This would benefit sectors reliant on long-term borrowing, such as infrastructure, as cheaper capital becomes available. Indian government bonds have already seen a drop in yields, which is favourable for both government borrowing and corporate debt issuance.

Risks and Challenges

Despite the positives, there are risks. Rising foreign capital inflows could lead to volatility in the Indian rupee. Additionally, a stronger rupee may harm export-driven industries like IT services and pharmaceuticals, which rely heavily on global markets. Moreover, a softer interest rate regime may hurt the banking sector by reducing the appeal of savings deposits.

Conclusion

In summary, the Fed's 50 basis point rate cut is likely to have a mixed impact on Indian markets. While sectors like infrastructure and metals are set to benefit from increased liquidity and cheaper borrowing, the banking sector could face challenges. The RBI is likely to take a measured approach in responding to the Fed's actions, focusing on maintaining financial stability while possibly easing rates later this year. The full impact will depend on how the global economic environment evolves and whether inflation remains under control.

Riddles of the week

1).Yield me right; I'm a delight. Yield me wrong; your lament's prolonged. What am I?

2).A shelter for your hard-earned grain, I'm the keeper of your monetary gain. What am I?

3).Keep me balanced or you'll see, how tangled your money threads can be. What am I?

4).Endless zeroes can follow my trail, acquired or lost, in grandeur, I scale. What am I?

5).Hold me high, I promise more, a leap of faith, offshore. What am I?

6).I've been around since ancient Rome, take out too much and you'll lose your home. What am I?

7).Amass me, use me, I'm a silent roar, the lifeblood of business, and so much more. What am I?

What's your Score?

KNOW THE FACTS

(Previous riddle soulutions)

- **Income**
- **Investment Returns**
- **Credit Score**
- **Retirement Plan**
- **Taxes**
- **Share Prices**
- **Exchange**
- **Cash**
- **Accountant**
- **Dividend**