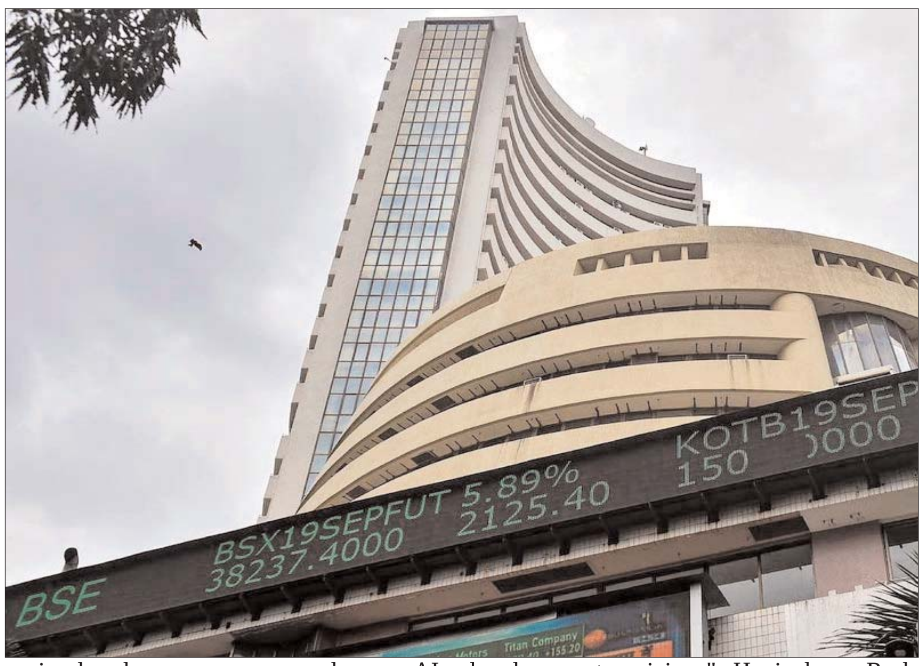
Sensex tanks 778 points, Nifty closes at 5-month low amid surging oil prices, rate hike fears

MUMBAI, Sept 15: Benchmark Sensex tanked 778 points while the broader stock index Nifty closed at a five-month low on Tuesday amid surging oil prices, geopolitical tensions and weak trends in global markets.

The 30-share BSE Sensex tumbled 777.94 points, or 1.04 per cent, to settle at a three-month low of 74,003.82, dragged by losses in blue-chip banking, auto and oil & gas shares. The index opened higher but lost steam in late-morning deals as selling gathered pace. The barometer later tanked 787.73 points, or 1.05 per cent, to a day's low of 73,994.03.



The 50-share NSE Nifty dropped 279.50 points, or 1.19 per cent, to end at 23,118.60, the lowest closing level since April 6.

Among the 30 Sensex firms, Bharat Electronics tumbled 6 per cent. InterGlobe Aviation, Titan, Bajaj Finserv, Adani Ports, Mahindra & Mahindra and State Bank of India were also among the laggards.

HCL Tech jumped 3.98 per cent, Infosys climbed 3.64 per cent, Tech Mahindra was up 2.31 per cent, and Tata Consultancy Services (2.18 per cent) and HDFC Bank (1.27 per cent) also rose.

Brent crude, the global oil benchmark, jumped 1.89 per cent to USD 107.7 per barrel.

"Domestic markets remained under pressure, extending their recent correction as elevated crude oil prices and rising global bond yields weighed on sentiment. Investors stayed cautious ahead of key central bank meetings this week, with growing expectations of further policy tightening by major economies.

"Concerns about a prolonged high-interest-rate environment, particularly in the US, kept Treasury yields near multi-year highs and continued to dampen emerging market sentiment amid persistent foreign outflows," Vinod Nair, Head of Research, Geojit Investments Limited, said.

IT stocks outperformed as comments suggesting slower AI development eased concerns over the rapid disruption of traditional IT services, Nair added.

In Asian markets, South Korea's Kospi, Japan's Nikkei 225 index, Shanghai's SSE Composite index and Hong Kong's Hang Seng index ended lower.

Markets in Europe were trading in negative territory. US markets ended lower on Monday.

"Indian equities suffered a sharp reversal on Tuesday, surrendering their opening gains as Brent crude hovered near USD 107.40 a barrel, US bond yields remained elevated and investors adopted a cautious stance ahead of the Federal Reserve's policy decision," Hariselvan Radhakrishnan, Founder & CEO of HST Wealth, said.

The selling was broad-based, with information technology emerging as the only sector to finish in positive territory, he said, adding that selective buying in large technology exporters suggested that immediate concerns over AI-led disruption had eased, although the gains were insufficient to offset weakness across the rest of the market. The domestic equity markets were closed on Monday on account of Ganesh Chaturthi.

Foreign Institutional Investors (FIIs) offloaded equities worth Rs 930.90 crore on Friday, according to exchange data. (PTI)

Analysts expect RBI to hike rates by 25 bps each in Oct, Dec policy meetings

MUMBAI, SEPT 15: The Reserve Bank may hike the key policy rate by 25 basis points (bps) each at the October and December policy reviews as headline inflation is expected to rise further and stay elevated, analysts said.

Oil prices re-touching the USD 100 per barrel mark with renewed tensions in West Asia, El Nino worries continuing with the conditions set to intensify, likelihood of the narrowing rate differential between India and the US in light of the Federal Reserve's moves towards starting to hike rates and the strong GDP growth are the key factors that will influence the RBI to hike interest rates, according to analysts.

The expectations came a day after official data showed consumer price inflation rising to 4.82 per cent in August from July's 4.45 per cent.

"Given that ... oil prices have risen above USD100/barrel once again, we think the time has come for the RBI to commence the rate hike cycle, particularly as growth remains considerably strong despite the ongoing West Asia crisis," a note by analysts at foreign brokerage Deutsche Bank said.

The brokerage said it is advancing the rate hike expectation to October from the earlier estimate of the hardening to happen from December after the release of hawkish minutes of the August review, the inch up in inflation, strong GDP growth and the US Fed's imminent rate hikes.

"Going forward, we believe CPI inflation may cross 6.5 per cent mark before dropping to less than 6 per cent in early 2027. (It is) time to build moats through a 25-bps hike in October and December MPC (monetary policy committee meetings) each, and then to pause," economists at the country's largest lender SBI said.

Foreign brokerage HSBC also expects two rate hikes in October and December, and added that inflation is likely to stay above 5 per cent for nine consecutive months.

Deutsche Bank believes the RBI will take a breather in February and raise interest rates again at the April and June 2027 reviews, taking the overall hikes to 1 percentage point (100 bps) in the current rate increase cycle, which will begin in October. The RBI has opted for a status quo in rates for over a year now. The repo rate, at which it lends to the system, currently stands at 5.75 per cent.

Deutsche Bank said the last policy review statement was dovish, which prompted it to believe that the rate hikes will start in December, but the "hawkish" tone of the six-member rate-setting panel revealed in the minutes of the meeting along with possibilities of a Fed hike made it go back to the expectation of a rate hike coming in October.

The German entity noted that the RBI's quarterly CPI inflation profile for FY27 is 4.7 per cent in Q2FY27, 5.9 per cent in Q3 and 5.5 per cent in Q4FY27.

A status quo on the rates amid an increase in headline inflation will lead to the real rate turning negative from Q3FY27, and it will remain so for at least nine months if the repo rate is maintained at 5.25 per cent, it said.

"Such an outcome would be inconsistent with the RBI's previously preferred range for real policy rates of positive 1.4-1.9 per cent," it said.

The brokerage said it expects the US Fed to hike rates by 0.25 per cent each at the end of September, December and March.

Underlining the importance of relative interest-rate differentials for sustaining capital inflows, the brokerage said some Asian central banks have already hiked rates.

"The RBI's challenge would shift from managing a largely supply-driven inflation shock to re-establishing real-rate credibility in an increasingly restrictive global environment," it added.

After the liquidity-absorbing open market operation announcement, the next step will be to hike rates, it said. (PTI)

RBI absorbs Rs 3.93 lakh cr from banking system via VRRR auction

MUMBAI, SEPT 15: The Reserve Bank of India (RBI) on Tuesday absorbed Rs 3,93,352 crore through variable rate reverse repo (VRRR) auction amid huge surplus liquidity in the banking system.

The central bank received bids worth Rs 3,93,352 crore, for a notified amount of Rs 5 lakh crore. It accepted all bids at a cut-off and weighted average rate of 5.24 per cent, according to a release. Over the last month, the RBI has been conducting VRRR auctions in order to absorb excess surplus liquidity from the banking system and align the overnight money market rates to the repo rate.

The liquidity surplus in the banking system was estimated to be around Rs 10.73 lakh crore on September 11.

Apart from VRRR auctions, last week, the central bank announced Open Market Operation (OMO) sales of government securities for a notified amount of Rs 1 lakh crore in three tranches, with the first tranche auction to be held on September 17.

The first tranche of Rs 50,000 crore will be held on September 17, and Rs 25,000 crore each tranches on September 21 and September 28, RBI said.

The banking system was flushed with liquidity due to heavy mobilisation of FCNR (B) deposits by banks, bringing in foreign currency into the system, while subsequent swaps with the RBI provided rupee liquidity to banks.

Besides FCNR (B) inflows, month-end government expenditure, including payments toward salaries and pensions, also added to liquidity in the banking system. (PTI)

Microsoft commits to sweeping AI privacy rules for students, Will other tech giants follow

WASHINGTON, SEPT 15: Millions of students every day turn to AI chatbots for help with schoolwork, emotional support and personal advice - often unaware of where their conversations and other personal information end up.

How that data is used - and schools' role in protecting it - is a growing concern for educators, parents and kids as artificial intelligence becomes a ubiquitous part of the school day, embedded in many of the classroom tools students are required to use.

As the school year started, the country's two largest school districts, New York City and Los Angeles, announced they were putting the brakes on student use of AI for one year, as they study how to best incorporate the technology into education.

In response to a growing AI and screentime backlash, Microsoft announced last week it had agreed to adopt guardrails and privacy standards for its AI in schools, as negotiated with the American Federation of Teachers, the country's second-largest teachers union.

The safety provisions in the agreement are meaningful, but the standards will only be effective if all AI companies, especially the tech giants, sign on, said Josh Golin, executive director of online safety nonprofit Fairplay. He said the agreement sidesteps the question of whether AI products even belong in classrooms, or at what age they should be introduced.

"I worry that a high-profile framework like this will be misunderstood and schools will think, If they're doing a good job on data privacy and safety, then that means we should be using the tool,'" Golin said.

The AFT said the agreement, which is legally binding and requires third-party audits for compliance, could set an industry standard. Two other leading AI companies, OpenAI and Anthropic, said they also were discussing safety and privacy pacts with the AFT. But Google, the dominant provider of education technology for America's schools, has not said whether it plans to offer similar protections.

As part of the wide-ranging agreement, Microsoft says it will not use student or educator data to train AI systems, apart from a narrow exception for data that could help protect students. It says the data it collects cannot be sold, used for advertising or used for product development.

The agreement prohibits any use of AI companions or features "designed to foster emotional attachment or dependency" and to keep students engaged for longer than a learning task requires. It also includes a range of audit and transparency measures that require the company to disclose to families, in plain language, how its tools work.

"This standard sets a high bar for child privacy and AI safety, and we'll extend this agreement to every school district across the country," Brad Smith, Microsoft's vice chair and president, said in a statement. The standards will apply to all schools that Microsoft has contracts with starting Nov. 1, he said.

AFT President Randi Weingarten called the agreement the "first of its kind" and an important step to setting an industry standard in the absence of federal and state legislation on AI in schools.

"We want parents to have control of their kids' education. We want educators to have control of kids' education, not ed tech. And that's what this agreement is," Weingarten said.

She spoke at a joint news conference with Smith at the headquarters of the United Federation of Teachers, the AFT's New York City affiliate. The headquarters is home to AFT's National Academy for AI Instruction for teachers, which launched a year ago backed by $23 million from Microsoft, OpenAI and Anthropic.International News Feed

Along with their yearlong AI moratorium, the school systems for New York City and Los Angeles plan extensive audits of their education technology contracts and AI tools, with a focus on data privacy, transparency and accountability. The ban in New York City applies to all elementary and middle school students, while in Los Angeles it extends through high school.

Weingarten said she contacted Google directly to tell them about the agreement before making it public, in hopes the company would become a signatory.

The company has not responded to a request for comment from The Associated Press on whether it plans to offer similar protections.

"Is Google going to embrace this framework? That is a huge question," said Golin, the online safety nonprofit chief. He noted schools also use thousands of AI-driven educational technology products produced by smaller companies.

Google found itself at the center of controversy over AI in schools when it announced in August it had turned on its Gemini chatbot for many K-12 students using Google Classroom, its learning management system. The company says Google Classroom is used by 150 million teachers and students worldwide.

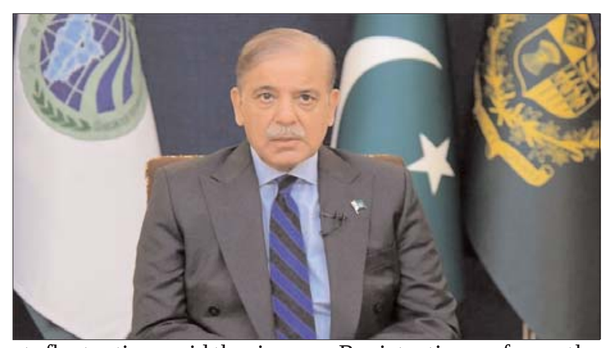
Critics decried Google's move as an escalation of the race between tech giants to make inroads in schools and win over the next generation of AI users. The AI addition to Classroom only affects schools that allow student access to its Gemini app or Gemini Notebook, but it marks a major shift. Until August, Google had only allowed Gemini to be turned on for students 18 or older.

Weingarten said she is also in talks with OpenAI and Anthropic, which both issued public praise for the agreement.

OpenAI, the maker of ChatGPT, called it an "important milestone for AI safety and privacy in schools." The company has been working with AFT, it said in a statement, "and we look forward to finalizing our own agreement."

Pak PM Sharif announces fuel relief measures amid oil price surge

ISLAMABAD, Sep 13: Pakistan Prime Minister Shehbaz Sharif on Sunday announced a special relief scheme for users of motorcycles, rickshaws and small vehicles amid a surge in petroleum prices triggered by the ongoing tensions in West Asia.



"In this hour of difficulty, we will not leave the public alone," Sharif said according to a statement released by the Prime Minister's Office.

Under the scheme, users of two- and three-wheelers will get a subsidy of PKR 100 per litre on up to 20 litres of petrol per month, whereas owners of small vehicles, up to 800cc, will receive the same subsidy on up to 30 litres of petrol per month.

Petrol prices in Pakistan are currently hovering above PKR 370 per litre, with the rate fluctuating amid the rise in global oil prices.

While launching the scheme, Sharif said that the government is fully aware of the burden being placed on the public due to the increase in oil prices.

The scheme will come into effect in Islamabad from the intervening night of Monday and Tuesday, and across Pakistan from the intervening night of Wednesday and Thursday.

Registration for the scheme began on Sunday, and details of the procedure will be communicated to the public through an awareness campaign, the statement said

Sharif thanked the provinces for cooperating in providing information on motorcycles, rickshaws and small vehicles for registration under the scheme.

The prime minister's announcement comes amid growing criticism over rising petroleum prices linked to the ongoing tensions in West Asia.

The Strait of Hormuz, through which roughly one-fifth of petroleum trade passed during peacetime, has remained largely blocked amid the US-Iran conflict, disrupting a key route for global oil supplies.

Meanwhile, Iran-backed Houthi forces in Yemen have tightened their grip around the Bab el-Mandeb Strait at the entrance to the Red Sea, choking another key route for global petroleum trade.

Sunday's announcement also comes after the right-wing Jamaat-e-Islami party threatened further protests to press the government to reduce petroleum prices. (PTI)

HDFC Bank shares climb over 3 pc; market valuation jumps Rs 22,489.75 cr

NEW DELHI, SEPT 15: Shares of HDFC Bank climbed over 3 per cent on Tuesday as the company send RBI two names for its next MD & CEO.

The bellwether stock edged higher by 3.14 per cent to Rs 730.30 on the BSE.

At the NSE, it climbed 3.17 per cent to Rs 730.75.

The company's market valuation surged by Rs 22,489.75 crore to Rs 11,12,672.52 crore.

"A positive for the Indian market is that there is clarity emerging on the choice of HDFC Bank MD and CEO. A quick acceptance of the name of the successor by the RBI can influence the benchmark index significantly," V K Vijayakumar, Chief Investment Strategist, Geojit Investments Limited, said.

More than a fortnight after incumbent Sashidhar Jagdishan opted out of the race to continue as HDFC Bank's managing director and chief executive, the largest private sector lender on Saturday sent names of two candidates as prospective successors to the Reserve Bank.

HDFC Bank also announced changes to its board, increasing the number of whole-time directors to four from the present three, and also appointing chief credit officer Jimmy Tata as a whole-time director, as per an exchange notification.

Jagdishan opted out of reappointment on August 29, ending a nearly six-month-long suspense on his fate. Its non-executive chairman Atanu Chakraborty's surprise resignation in March, citing issues on values and ethics, was followed by some specific instances showing shortcomings in governance being highlighted.

As per the bank's earlier notification, Jagdishan will retire on October 26, when his term as MD and CEO ends.

The bank has sent names of two candidates in the order of preference and also the remuneration to be paid to each of them, as per the exchange notification.

The Reserve Bank generally approves the selected name to head a lender after going through the list of names and assessing the names under its 'fit and proper' criteria. HDFC Bank has been classified as a systematically important bank.

HDFC Bank said the board approved the two names as per the recommendations of its governance, nomination and remuneration committee on Saturday.