

Indian Stocks Rise to Three-Month High Before RBI Policy Review

India's benchmark stock index climbed to a three-month high in volatile trading as auto and technology companies climbed before the central bank's policy meeting tomorrow.

Mahindra & Mahindra Ltd. was the best performer in the S&P BSE Sensex as March sales grew 17 percent. Tata Motors Ltd. climbed 2.3 percent on increased sales of Jaguar Land Rover in the U.S. Infosys Ltd. rallied to a record. Bharti Airtel Ltd., the top cellular-phone operator, gained after news reports said the spectrum usage charges have been reduced for upcoming auctions.

The Sensex rose 0.5 percent to its highest close since Jan. 6, after changing direction 10 times. The gauge posted its first weekly drop in five weeks on Friday. The retreat follows the steepest monthly gain since 2012 as a government pledge to further cut India's fiscal deficit and speculation of an interest-rate cut spurred capital inflows. Global funds bought \$229 million of local shares on March 30, taking this year's inflows to \$534 million.

"The market is building in hopes of a 50-basis point rate cut tomorrow," Pankaj Sharma, head of equities at Equirus Securities Pvt., said in an interview. "Growth in auto sales in March is also giving investors confidence."

Twenty-eight of 31 economists surveyed by Bloomberg see the Reserve Bank of India cutting the repurchase rate to 6.5 percent from 6.75 percent on Tuesday, one predicts no change while two forecast a reduction to 6.25 percent. That's where the benchmark will stay through September 2017, according to a separate survey published March 31.

Auto Demand

Mahindra & Mahindra jumped 4.2 percent while Tata Motors advanced 2.3 percent. Bajaj Auto Ltd. added 1.2 percent after last month's sales rose 22 percent.

“Improving auto sales signals a pick up in demand for consumer-discretionary items, and the only thing left is a recovery in corporate spending, which may get a boost from a rate cut,” Vikas Gupta, an executive vice president at Arthveda Fund Management Pvt. in Mumbai, said by phone.

Bharti Airtel gained 3.8 percent after Bloomberg TV India reported that a government panel has cut spectrum usage charge for airwaves bought in the forthcoming auctions. Rival Idea Cellular Ltd. jumped almost 6 percent to its highest price since Jan. 21, while Reliance Communications Ltd. added 2 percent.

ITC Ltd., Asia's second-largest cigarette maker by market value, declined the most in a week after it shut its cigarette plants in protest against a new government rule mandating bigger health warnings on its packs. The stock fell 1.5 percent.

The Sensex has retreated 3 percent this year and trades at 15.5 times 12-month projected profits versus 11.7 for the MSCI Emerging Markets Index.