

MORNING MOCHA

11 October 2024

 ECONOMIST
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US CPI rose by 0.2% (MoM) in Sep'24, remaining unchanged from last month, but came in slightly higher than est.: 0.1%. In YoY terms as well, CPI in Sep'24 (2.4%) was higher than expected (2.3%). The sequential increase was driven by jump in food prices (0.4% versus 0.1% in Aug'24). Core inflation remained stable (0.3%). However, build up in pressure is visible in case of new vehicles, apparels, medical care, and transportation services. Further, initial jobless claims for the week ending 5 Oct rose to 258k (est.: 230k), up by 33k, mainly showing the impact of Hurricane Helene. Investors have now moved their expectations from a 50bps cut in Nov'24 to 25bps cut, signalling that Fed is likely to ease rates less aggressively. Elsewhere in Europe, slowing inflation is helping retail sales regain some ground in Germany, as it rose by 1.6% (MoM) in Aug'24, following 1.5% increase in Jul'24.

- Most of the global indices ended mixed. US indices closed lower as investors monitored inflation print which came in tad higher than expected (2.4% against est.: 2.3%). Notably, jobless claims came in higher than anticipated (258k against est.: 230k). Sensex inched up with gains in banking stocks. It is trading lower today in line with Asian stocks.

Fig 1 – Stock markets

	09-10-2024	10-10-2024	Change, %
Dow Jones	42,512	42,454	(0.1)
S & P 500	5,792	5,780	(0.2)
FTSE	8,244	8,238	(0.1)
Nikkei	39,278	39,381	0.3
Hang Seng	20,637	21,252	3.0
Shanghai Comp	3,259	3,302	1.3
Sensex	81,467	81,611	0.2
Nifty	24,982	24,998	0.1

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY continued to strengthen as it hovered near the 2-month peak. The release of CPI print and jobless claims could possibly stall this rally. Comments by Fed officials scheduled next week will provide more guidance on the same. INR ended flat. It is trading stronger today while other currencies are trading mixed.

Fig 2 – Currencies

	09-10-2024	10-10-2024	Change, %
EUR/USD (1 EUR / USD)	1.0939	1.0934	(0.0)
GBP/USD (1 GBP / USD)	1.3071	1.3059	(0.1)
USD/JPY (JPY / 1 USD)	149.31	148.57	0.5
USD/INR (INR / 1 USD)	83.96	83.98	(0.0)
USD/CNY (CNY / 1 USD)	7.0808	7.0765	0.1

Source: Bloomberg, Bank of Baroda



- Global yields closed mixed. 10Y yields in US and China fell, while they rose in UK, Japan and India. Investors digest hotter than expected US CPI data and weakness in initial jobless claims. UK yields have been driven by news of possible relaxation in the borrowing rule of government. India's 10Y yield rose by 2bps, tracking gains in oil prices. It is trading a tad lower at 6.77% today.

Fig 3 – Bond 10Y yield

	09-10-2024	10-10-2024	Change, bps
US	4.07	4.06	(1)
UK	4.18	4.21	3
Germany	2.26	2.26	0
Japan	0.94	0.96	2
China	2.19	2.16	(3)
India	6.77	6.78	1

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	09-10-2024	10-10-2024	change in bps
Tbill-91 days	6.42	6.41	(1)
Tbill-182 days	6.53	6.53	0
Tbill-364 days	6.52	6.51	(1)
G-Sec 2Y	6.67	6.62	(5)
India OIS-2M	6.56	6.56	0
India OIS-9M	6.44	6.44	1
SONIA int rate benchmark	4.95	4.95	0
US SOFR	4.84	4.83	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	09-10-2024	10-10-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.3)	(1.3)	0
Reverse Repo	0.8	0.8	0
Repo	0.1	0	(0.1)

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	08-10-2024	09-10-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(836.7)	46.3	883.1
Debt	(195.7)	484.5	680.3
Equity	(641.0)	(438.2)	202.8
Mutual funds (Rs cr)	11,633.3	10,755.4	(877.9)
Debt	580.2	3,037.8	2,457.6
Equity	11,053.2	7,717.7	(3,335.5)

Source: Bloomberg, Bank of Baroda Research | Note: Data for Mutual Funds as of 3 Oct and 4 Oct

- Oil prices rose, due to supply concerns (storm in US/tensions in Middle East).

Fig 7 – Commodities

	09-10-2024	10-10-2024	% change
Brent crude (US\$/bbl)	76.6	79.4	3.7
Gold (US\$/ Troy Ounce)	2,607.8	2,629.7	0.8
Copper (US\$/ MT)	9,529.8	9,582.9	0.6
Zinc (US\$/MT)	2,994.5	3,070.3	2.5
Aluminium (US\$/MT)	2,541.0	2,586.0	1.8

Source: Bloomberg, Bank of Baroda Research



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