

MORNING MOCHA

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Global markets keenly await the release of US CPI data, due later today. A hotter than expected print will dent prospects of 100-110bps decline in policy rates this year, while a lower than expected print may signal deepening slowdown in the economy. Investors will also assess the impact of the 1st Presidential debate between Trump and Harris, where both highlighted their views on tariffs on China and fiscal policy. Separately in Europe, Germany's HICP inflation for Aug'24 eased to 2% from 2.6% in Jul'24, driven by 5.1% decline in energy prices. This is likely to make it easier for ECB to lower its policy rates by 25bps tomorrow. Inflation may weaken further going forward as commodity prices remain low. International oil prices have fallen below US\$ 70/bbl mark, to its lowest level since Dec'21. Other commodity prices have also taken a hit. Significant weakness in China's import data has revived fears of sluggish global demand.

- Global stocks ended mixed. Focus remains on US inflation report to assess the future course of Fed policy. In US, S&P 500 gained, led by tech stocks. FTSE declined by 0.8% as healthcare and energy stocks dipped. Asian stocks were mostly higher, barring Nikkei. Sensex rose by 0.4% led by real estate and technology stocks. It is however trading lower today in line with its Asian peers.

Fig 1 – Stock markets

	09-09-2024	10-09-2024	Change, %
Dow Jones	40,830	40,737	(0.2)
S & P 500	5,471	5,496	0.4
FTSE	8,271	8,206	(0.8)
Nikkei	36,216	36,159	(0.2)
Hang Seng	17,197	17,234	0.2
Shanghai Comp	2,736	2,744	0.3
Sensex	81,560	81,921	0.4
Nifty	24,936	25,041	0.4

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY shored up further gains awaiting key US inflation report. EUR depreciated ahead of ECB meeting with a 25bps rate cut priced in. Despite a sharp slump in oil prices, INR continued to trade near its record low. It is however trading stronger today, in line with Asian currencies.

Fig 2 – Currencies

	09-09-2024	10-09-2024	Change, %
EUR/USD (1 EUR / USD)	1.1035	1.1020	(0.1)
GBP/USD (1 GBP / USD)	1.3074	1.3080	0
USD/JPY (JPY / 1 USD)	143.18	142.44	0.5
USD/INR (INR / 1 USD)	83.96	83.98	0
USD/CNY (CNY / 1 USD)	7.1137	7.1208	(0.1)

Source: Bloomberg, Bank of Baroda



- Global 10Y yields closed lower/flat. Yields in US and Europe fell, while they were flat elsewhere. Investors will also assess the outcome of 1st Presidential debate between Harris and Trump and await CPI data for cues on Fed's rate cut trajectory. India's 10Y yield closed stable. However, it is trading a tad lower today at 6.84%, tracking decline in oil prices.

Fig 3 – Bond 10Y yield

	09-09-2024	10-09-2024	Change, bps
US	3.70	3.64	(6)
UK	3.86	3.82	(4)
Germany	2.17	2.13	(4)
Japan	0.90	0.90	0
China	2.13	2.12	0
India	6.85	6.85	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	09-09-2024	10-09-2024	change in bps
Tbill-91 days	6.64	6.63	(1)
Tbill-182 days	6.71	6.72	1
Tbill-364 days	6.74	6.70	(4)
G-Sec 2Y	6.74	6.75	1
India OIS-2M	6.61	6.62	1
India OIS-9M	6.49	6.48	(1)
SONIA int rate benchmark	4.95	4.95	0
US SOFR	5.34	5.34	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	09-09-2024	10-09-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.3)	(1.1)	0.2
Reverse Repo	0.7	0.2	(0.5)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	06-09-2024	09-09-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	260.8	258.4	(2.5)
Debt	29.3	123.2	93.9
Equity	231.5	135.1	(96.4)
Mutual funds (Rs cr)	666.0	(6,253.4)	(6,919.5)
Debt	(2,640.2)	(6,981.3)	(4,341.1)
Equity	3,306.3	727.9	(2,578.3)

Source: Bloomberg, Bank of Baroda Research | Note: Data for Mutual Funds as of 5 Sep and 6 Sep 2024

- Oil prices fell sharply, owing to signs of sluggish demand prospects from China.

Fig 7 – Commodities

	09-09-2024	10-09-2024	% change
Brent crude (US\$/bbl)	71.8	69.2	(3.7)
Gold (US\$/ Troy Ounce)	2,506.4	2,516.7	0.4
Copper (US\$/ MT)	8,972.4	8,898.8	(0.8)
Zinc (US\$/MT)	2,681.0	2,663.3	(0.7)
Aluminium (US\$/MT)	2,350.5	2,336.5	(0.6)

Source: Bloomberg, Bank of Baroda Research



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