

**MORNING MOCHA**

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**ECONOMIST**  
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Much awaited US CPI report came broadly in line with market expectations with headline CPI rising by 0.2% (MoM) in Aug'24, unchanged from last month. However, core CPI sprung a surprise as it rose by 0.3% in Aug'24 (est.: 0.2%), up from 0.2% in Jul'24. Within this, services (less energy services) inflation rose by 0.4% in Aug'24 (0.3% last month), fastest since Apr'24. Markets are now worried that trend of disinflation might not be continuous. This supports the view that Fed may deliver a smaller rate cut in its meeting next week. In UK, worries around growth have resurfaced with monthly GDP showing flat growth in Jul'24, lower than 0.2% growth expected by analysts. This has reaffirmed views that the BoE may lower rates in its Nov'24 meeting. In India, cabinet announced key decisions-Ayushman Bharat scheme will be available to all above 70 years of age; implementation of PM Gram Sadak Yojna from FY25-29; PM- E drive scheme.

- Barring US, stocks elsewhere ended lower. A rally in tech stocks drove US markets higher even as hopes of a 50bps rate cut faded after the inflation report. Nikkei fell for the 7<sup>th</sup> straight session as a stronger Yen weighed on sentiments. Sensex too declined by 0.1% led by a sharp fall in oil and gas stocks. It is however trading higher today, in line with other Asian markets.

**Fig 1 – Stock markets**

	10-09-2024	11-09-2024	Change, %
Dow Jones	40,737	40,862	0.3
S & P 500	5,496	5,554	1.1
FTSE	8,206	8,194	(0.1)
Nikkei	36,159	35,620	(1.5)
Hang Seng	17,234	17,109	(0.7)
Shanghai Comp	2,744	2,722	(0.8)
Sensex	81,921	81,523	(0.5)
Nifty	25,041	24,918	(0.5)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY rose by 0.1% as expectations of an outsized Fed rate cut faded after US inflation report. GBP depreciated the most against the dollar led by a weak GDP print. INR ended flat near its record low. It is trading at similar levels today, while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	10-09-2024	11-09-2024	Change, %
EUR/USD (1 EUR / USD)	1.1020	1.1012	(0.1)
GBP/USD (1 GBP / USD)	1.3080	1.3043	(0.3)
USD/JPY (JPY / 1 USD)	142.44	142.36	0.1
USD/INR (INR / 1 USD)	83.98	83.98	0
USD/CNY (CNY / 1 USD)	7.1208	7.1194	0

Source: Bloomberg, Bank of Baroda



- Barring US (higher), other major global 10Y yields closed lower. Yields in US reacted to US CPI data release. Rise in core CPI has lowered the chances of a supersized rate cut by Fed next week. Muted GDP growth in the UK also impacted investor sentiments. India's 10Y yield fell by 2bps, tracking global cues. It is trading flat today, awaiting domestic CPI data, due today.

**Fig 3 – Bond 10Y yield**

	10-09-2024	11-09-2024	Change, bps
US	3.64	3.65	1
UK	3.82	3.76	(6)
Germany	2.13	2.11	(2)
Japan	0.90	0.86	(4)
China	2.12	2.11	(1)
India	6.85	6.83	(2)

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	10-09-2024	11-09-2024	change in bps
Tbill-91 days	6.63	6.63	0
Tbill-182 days	6.72	6.72	0
Tbill-364 days	6.70	6.70	0
G-Sec 2Y	6.75	6.73	(2)
India OIS-2M	6.62	6.60	(2)
India OIS-9M	6.48	6.44	(4)
SONIA int rate benchmark	4.95	4.95	0
US SOFR	5.34	5.33	(1)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	10-09-2024	11-09-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.1)	(1.5)	(0.4)
Reverse Repo	0.2	0.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	09-09-2024	10-09-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	258.4	256.1	(2.2)
Debt	123.2	(96.7)	(219.9)
Equity	135.1	352.8	217.6
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 rose, tracking news of drop in US inventories and supply concerns.

**Fig 7 – Commodities**

	10-09-2024	11-09-2024	% change
Brent crude (US\$/bbl)	69.2	70.6	2.1
Gold (US\$/ Troy Ounce)	2,516.7	2,511.8	(0.2)
Copper (US\$/ MT)	8,898.8	8,964.8	0.7
Zinc (US\$/MT)	2,663.3	2,729.3	2.5
Aluminium (US\$/MT)	2,336.5	2,370.5	1.5

Source: Bloomberg, Bank of Baroda Research



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