

MORNING MOCHA

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In line with market expectations, ECB lowered its policy rates by 25bps, bringing the deposit rate down to 3.5% and refinancing rate to 3.65% (60bps decline). However, ECB dampened hopes of a rate cut in Oct'24, as it flagged elevated wage growth and services inflation as key risks. Its core CPI estimate was also revised higher to 2.8% (CY24) from 2.7% estimated in Jun'24. In US, mixed macro data continues to keep investors guessing about the quantum of rate cut by Fed next week. On one hand, while initial jobless claims for the week ending 7 Sep 2024 rose to 230k from 228k in the previous week, on the other hand, PPI inflation inched up. PPI was up by 0.2% (MoM) in Aug'24 versus est.: 0.1% and 0% in Jul'24. It was led by services sector (+0.4% versus -0.3%). India's CPI rose a tad to 3.7% in Aug'24 from 3.5% in Jul'24. Sequentially, food prices have seen considerable decline, which is positive for CPI in the coming months. IIP growth was steady at 4.8%.

- Barring China, stocks elsewhere ended in green. Investors monitored the rise in US jobless claims and PPI inflation, which has increased the possibility of a 50bps rate cut in Sep'24. Nikkei rose sharply by 3.4%. Sensex also rose by 1.8% led by global cues, with technology and power stocks rising the most. However, it is trading lower today, in line with other Asian markets.

Fig 1 – Stock markets

	11-09-2024	12-09-2024	Change, %
Dow Jones	40,862	41,097	0.6
S & P 500	5,554	5,596	0.7
FTSE	8,194	8,241	0.6
Nikkei	35,620	36,833	3.4
Hang Seng	17,109	17,240	0.8
Shanghai Comp	2,722	2,717	(0.2)
Sensex	81,523	82,963	1.8
Nifty	24,918	25,389	1.9

Source: Bloomberg, Bank of Baroda Research

- Except CNY and INR, other global currencies ended higher. DXY fell by 0.3% amid mixed US data. EUR gained as ECB President refrained from committing to future rate cuts. JPY too appreciated led by hawkish comments from BoJ's Board member. INR is trading stronger today, in line with its Asian peers.

Fig 2 – Currencies

	11-09-2024	12-09-2024	Change, %
EUR/USD (1 EUR / USD)	1.1012	1.1074	0.6
GBP/USD (1 GBP / USD)	1.3043	1.3124	0.6
USD/JPY (JPY / 1 USD)	142.36	141.82	0.4
USD/INR (INR / 1 USD)	83.98	83.98	0
USD/CNY (CNY / 1 USD)	7.1194	7.1174	0

Source: Bloomberg, Bank of Baroda



- Barring China and India (lower), other major global 10Y yields closed higher. Yields in US reacted to higher than expected PPI print. Europe noted rise in yields as ECB President flagged concerns about elevated wage growth and services inflation and dampened rate cut hopes in Oct'24. India's 10Y yield fell by 2bps. It is trading even lower today, tracking muted CPI print.

Fig 3 – Bond 10Y yield

	11-09-2024	12-09-2024	Change, bps
US	3.65	3.67	2
UK	3.76	3.78	2
Germany	2.11	2.15	4
Japan	0.86	0.87	1
China	2.11	2.10	(2)
India	6.83	6.81	(2)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	11-09-2024	12-09-2024	change in bps
Tbill-91 days	6.63	6.64	1
Tbill-182 days	6.72	6.69	(3)
Tbill-364 days	6.70	6.69	(1)
G-Sec 2Y	6.73	6.71	(1)
India OIS-2M	6.60	6.61	1
India OIS-9M	6.44	6.44	0
SONIA int rate benchmark	4.95	4.95	0
US SOFR	5.33	5.32	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	11-09-2024	12-09-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.5)	(2.0)	(0.5)
Reverse Repo	0.2	0.4	0.2
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	10-09-2024	11-09-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	256.1	319.5	63.4
Debt	(96.7)	(22.3)	74.4
Equity	352.8	341.8	(11.0)
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 the likely impact of Hurricane Francine on US supplies.

Fig 7 – Commodities

	11-09-2024	12-09-2024	% change
Brent crude (US\$/bbl)	70.6	72.0	1.9
Gold (US\$/ Troy Ounce)	2,511.8	2,557.9	1.8
Copper (US\$/ MT)	8,964.8	9,095.7	1.5
Zinc (US\$/MT)	2,729.3	2,818.2	3.3
Aluminium (US\$/MT)	2,370.5	2,415.5	1.9

Source: Bloomberg, Bank of Baroda Research



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