

**MORNING MOCHA**

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 ECONOMIST  
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Global currency market lost its breather amidst a firming dollar as expectations got build up over a cautious neutral stance by Fed. To support this, comments of Fed officials (Christopher Waller and Neel Kashkari), also hinted at staggered policy easing. Equity market got support from an expectation of upside surprise from Q3 results. Markets trajectory is guided by an interplay of both macro and financial factors. Reports suggested that China may resort to raising 6tn yuan from ultra long special government bonds over three years. Separately, the dollar-offshore yuan volatility also soared up as traders are pricing in risks ahead of US elections. Asset prices have remained broadly contained as fault lines to China's growth remained with recent export data in dollar terms recording the lowest growth since May'24. In India, inflation concerns reignited over unfavourable base and risks to food inflation.

- Barring Hang Seng, global indices closed higher. Stocks in the US rose to a record high led by a rally in tech stocks, with focus shifting to upcoming earnings reports and macro data. Stocks in China ended higher after a volatile session, as investors assessed the government's new fiscal measures. Sensex rose by 0.7% supported by real estate and banking stocks. It is trading further higher today, in line with Asian peers.

**Fig 1 – Stock markets**

	11-10-2024	14-10-2024	Change, %
Dow Jones	42,864	43,065	0.5
S & P 500	5,815	5,860	0.8
FTSE	8,254	8,293	0.5
Nikkei	39,381	39,606	0.6
Hang Seng	21,252	21,093	(0.7)
Shanghai Comp	3,218	3,284	2.1
Sensex	81,381	81,973	0.7
Nifty	24,964	25,128	0.7

Source: Bloomberg, Bank of Baroda Research | Note: Markets in Japan were closed on 14 Oct 2024

- Except INR, other global currencies depreciated. DXY rose by 0.4% amid expectations of modest rate cuts from the Fed going forward. CNY fell as macro data remained dismal. EUR depreciated as the ECB is expected to cut rates this week. INR is trading flat today, while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	11-10-2024	14-10-2024	Change, %
EUR/USD (1 EUR / USD)	1.0937	1.0909	(0.3)
GBP/USD (1 GBP / USD)	1.3067	1.3059	(0.1)
USD/JPY (JPY / 1 USD)	149.13	149.76	(0.4)
USD/INR (INR / 1 USD)	84.07	84.06	0
USD/CNY (CNY / 1 USD)	7.0668	7.0897	(0.3)

Source: Bloomberg, Bank of Baroda



- Global yields closed mixed. Some firmness was witnessed in yields of major AEs as macro data built up case for a staggered monetary easing globally. Japan's 10Y yield fell a tad while China's closed stable amidst expectation of more stimulus. India's 10Y yield fell marginally and is trading at 6.77% today.

**Fig 3 – Bond 10Y yield**

	11-10-2024	14-10-2024	Change, bps
US	4.06	4.10	4
UK	4.21	4.24	3
Germany	2.27	2.28	1
Japan	0.96	0.95	(1)
China	2.15	2.15	0
India	6.79	6.78	(1)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in US and Japan were closed on 14 Oct 2024

**Fig 4 – Short term rates**

	11-10-2024	14-10-2024	change in bps
Tbill-91 days	6.40	6.41	1
Tbill-182 days	6.51	6.53	2
Tbill-364 days	6.52	6.51	(1)
G-Sec 2Y	6.64	6.63	(1)
India OIS-2M	6.56	6.56	0
India OIS-9M	6.46	6.45	(1)
SONIA int rate benchmark	4.95	4.95	0
US SOFR	4.83	4.82	(1)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	11-10-2024	14-10-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.8)	(1.5)	0.3
Reverse Repo	0.4	0.4	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	10-10-2024	11-10-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(677.4)	(434.1)	243.3
Debt	(113.2)	45.6	158.8
Equity	(564.1)	(479.6)	84.5
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 9<sup>th</sup> and 10<sup>th</sup> Oct

- Oil prices fell on demand woes amid continued economic weakness in China.

**Fig 7 – Commodities**

	11-10-2024	14-10-2024	% change
Brent crude (US\$/bbl)	79.0	77.5	(2.0)
Gold (US\$/ Troy Ounce)	2,656.6	2,648.5	(0.3)
Copper (US\$/ MT)	9,650.5	9,526.5	(1.3)
Zinc (US\$/MT)	3,140.9	3,064.2	(2.4)
Aluminium (US\$/MT)	2,632.5	2,594.0	(1.5)

Source: Bloomberg, Bank of Baroda Research



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