

**MORNING MOCHA**

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Investors reassessed the path of US monetary policy, as the Fed Chair quashed hopes of another jumbo rate cut. Attesting to the strength of the US economy and the ongoing slowdown in inflation, the Fed Chair said that the FOMC is in “no hurry to cut rates quickly”. As a result, bets of a 50bps rate cut in Nov’24 have declined. The Fed’s decision is likely to be dependent on incoming data which includes PMIs and jobs report, due this week. Separately, CPI inflation in Germany eased to 1.6% in Sep’24 from 1.9% in Aug’24, strengthening the case for more rate cuts by the ECB. In UK, GDP growth estimate for Q2 CY24 was revised lower to 0.5% from 0.6% estimate earlier. In India, core sector output declined by 1.8% in Aug’24, led by an unfavourable base effect. CAD widened to 1.1% of GDP in Q1 FY25, on a sequential basis due to higher merchandise trade deficit.

- Global markets monitored Fed Chair’s speech which hinted at cautious approach and gradual move towards a neutral stance. However, reaffirmation on inflation lifted stocks of the region. In Asia, Shanghai Comp rose the most, supported by technology stocks and stimulus measures. Nikkei fell amidst recent political developments. Sensex fell by 1.5%, led by auto, banking and real estate stocks. It is trading higher today, in line with Asian stocks.

**Fig 1 – Stock markets**

	27-09-2024	30-09-2024	Change, %
Dow Jones	42,313	42,330	0
S & P 500	5,738	5,762	0.4
FTSE	8,321	8,237	(1.0)
Nikkei	39,830	37,920	(4.8)
Hang Seng	20,632	21,134	2.4
Shanghai Comp	3,088	3,336	8.1
Sensex	85,572	84,300	(1.5)
Nifty	26,179	25,811	(1.4)

Source: Bloomberg, Bank of Baroda Research

- Global currencies depreciated against the dollar as the Fed Chair dampened expectations of another outsized rate cut. DXY was 0.4% higher. JPY depreciated the most amongst major currencies. INR too declined by 0.1%. It is trading further weaker today, in line with other Asian currencies.

**Fig 2 – Currencies**

	27-09-2024	30-09-2024	Change, %
EUR/USD (1 EUR / USD)	1.1162	1.1135	(0.2)
GBP/USD (1 GBP / USD)	1.3374	1.3375	0
USD/JPY (JPY / 1 USD)	142.21	143.63	(1.0)
USD/INR (INR / 1 USD)	83.70	83.80	(0.1)
USD/CNY (CNY / 1 USD)	7.0111	7.0187	(0.1)

Source: Bloomberg, Bank of Baroda



- Global yields inched up tracking the cautious tone in Fed Chair's speech. Both US and UK 10Y yield rose by 3bps each. UK's 10Y yield was also supported by buoyant consumption demand. Germany's 10Y yield softened led by moderation in inflation print and ECB President's assurance on inflation. India's 10Y yield fell by 1bps and is trading at the same level today.

**Fig 3 – Bond 10Y yield**

	27-09-2024	30-09-2024	Change, bps
US	3.75	3.78	3
UK	3.98	4.00	3
Germany	2.13	2.12	(1)
Japan	0.85	0.86	1
China	2.18	2.21	3
India	6.76	6.75	(1)

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	27-09-2024	30-09-2024	change in bps
Tbill-91 days	6.50	6.40	(10)
Tbill-182 days	6.55	6.48	(7)
Tbill-364 days	6.56	6.55	(1)
G-Sec 2Y	6.65	6.66	1
India OIS-2M	6.60	6.60	0
India OIS-9M	6.44	6.44	0
SONIA int rate benchmark	4.95	4.95	0
US SOFR	4.83	4.84	1

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	27-09-2024	30-09-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.8)	(1.5)	(0.7)
Reverse Repo	0	0	0
Repo	0.3	0.3	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	26-09-2024	27-09-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	1,041.4	93.9	(947.4)
Debt	21.3	50.4	29.1
Equity	1,020.0	43.5	(976.5)
Mutual funds (Rs cr)	2,400.1	(1,854.6)	(4,254.8)
Debt	179.9	1,288.3	1,108.5
Equity	2,220.3	(3,143.0)	(5,363.2)

Source: Bloomberg, Bank of Baroda Research | Note: Data for Mutual Funds as of 24 Sep and 25 Sep 2024

- Oil prices moderated led by a firmer dollar.

**Fig 7 – Commodities**

	27-09-2024	30-09-2024	% change
Brent crude (US\$/bbl)	72.0	71.8	(0.3)
Gold (US\$/ Troy Ounce)	2,658.2	2,634.6	(0.9)
Copper (US\$/ MT)	9,846.5	9,692.0	(1.6)
Zinc (US\$/MT)	3,051.9	3,056.8	0.2
Aluminium (US\$/MT)	2,646.5	2,611.5	(1.3)

Source: Bloomberg, Bank of Baroda Research



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