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Global markets showed the impact of outsized rate cut by Fed followed by a dovish guidance. Equity markets were supported by easing liquidity concerns. Amongst major asset class, gold prices firmed up. Oil continued its rally due to hopes of revival in demand from softer global interest rate. However, US\$ witnessed some correction. On macro front, US jobless claims also reiterated Fed's concern on softening job market with the print dipping to its lowest since May'24. BoJ kept policy rate unchanged. However, it has revised up its assessment of private consumption, signalling optimism on growth. To add to this, even CPI data remained sticky. Thus, future policy response of BoJ remains doubtful which could add some volatility. BoE kept rates unchanged and signalled no hurry in future response. On domestic front, domestic yield softened, and currency got support from central bank intervention.

- Global markets made significant gains as Fed announced a super-sized rate cut. Tech stocks outperformed on Dow Jones and S&P crossed 5700 points to close at record high. Nikkei also jumped tracking Wall Street gains. Sensex rose by 0.3%, led by realty, banking and consumer durable stocks. It is trading further higher today, in line with other Asian markets.

Fig 1 – Stock markets

	18-09-2024	19-09-2024	Change, %
Dow Jones	41,503	42,025	1.3
S & P 500	5,618	5,714	1.7
FTSE	8,254	8,329	0.9
Nikkei	36,380	37,155	2.1
Hang Seng	17,660	18,013	2.0
Shanghai Comp	2,717	2,736	0.7
Sensex	82,948	83,185	0.3
Nifty	25,378	25,416	0.2

Source: Bloomberg, Bank of Baroda Research, Note: Hang Seng was closed on 19 Sep 2024

- Except JPY (lower), other global currencies ended higher. DXY ended flat. EUR and GBP appreciated the most. BoE kept its rates unchanged, thus providing support to currency. Yen was under pressure, as there remains uncertainty around the timing of next rate hike by BoJ. INR rose by 0.1%, following global cues. It is trading much stronger today, in line with its Asian peers.

Fig 2 – Currencies

	18-09-2024	19-09-2024	Change, %
EUR/USD (1 EUR / USD)	1.1119	1.1162	0.4
GBP/USD (1 GBP / USD)	1.3214	1.3284	0.5
USD/JPY (JPY / 1 USD)	142.29	142.63	(0.2)
USD/INR (INR / 1 USD)	83.76	83.69	0.1
USD/CNY (CNY / 1 USD)	7.0769	7.0627	0.2

Source: Bloomberg, Bank of Baroda



- UK 10Y yield has risen the most as BoE hinted at no rush towards rate cut. Yield differential with the US will be major driver guiding movement of other global yields, going forward. 10Y yields of other countries traded in a thin range. India's 10Y yield fell by 2bps, post Fed's decision. It is trading at 6.75% today.

Fig 3 – Bond 10Y yield

	18-09-2024	19-09-2024	Change, bps
US	3.70	3.71	1
UK	3.85	3.89	4
Germany	2.19	2.20	1
Japan	0.83	0.85	2
China	2.04	2.05	0
India	6.78	6.76	(2)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	18-09-2024	19-09-2024	change in bps
Tbill-91 days	6.59	6.55	(4)
Tbill-182 days	6.62	6.60	(2)
Tbill-364 days	6.55	6.55	0
G-Sec 2Y	6.69	6.68	(1)
India OIS-2M	6.62	6.61	(1)
India OIS-9M	6.45	6.45	0
SONIA int rate benchmark	4.95	4.95	0
US SOFR	5.38	5.33	(5)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	17-09-2024	19-09-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0	(0.2)	(0.2)
Reverse Repo	0.2	0.2	0
Repo	0	0.8	0.8

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	13-09-2024	17-09-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	373.4	259.1	(114.3)
Debt	10.3	(25.0)	(35.3)
Equity	363.0	284.0	(79.0)
Mutual funds (Rs cr)	(4,402.9)	1,082.7	5,485.6
Debt	(3,353.6)	998.7	4,352.3
Equity	(1,049.3)	84.0	1,133.2

Source: Bloomberg, Bank of Baroda Research | Note: Data for Mutual Funds as of 12th and 13th Sep 2024

- Oil prices jumped, as Fed rate cut boosts hope of revival in demand.

Fig 7 – Commodities

	18-09-2024	19-09-2024	% change
Brent crude (US\$/bbl)	73.7	74.9	1.7
Gold (US\$/ Troy Ounce)	2,558.9	2,586.7	1.1
Copper (US\$/ MT)	9,266.1	9,388.2	1.3
Zinc (US\$/MT)	2,855.2	2,898.2	1.5
Aluminium (US\$/MT)	2,536.5	2,539.5	0.1

Source: Bloomberg, Bank of Baroda Research



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