

MORNING MOCHA

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ECONOMIST

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Global Central Banks sprung in to action after Fed kick-started the monetary easing cycle after a span of 4-years by aggressively reducing rates by 50bps and bringing the benchmark rate to 4.75-5%. ECB had also delivered 25bps rate cut, a second reduction this year. According to the CME Fed watch tool there is a likelihood of 25bps cut in Nov'24. On the other hand, BoE, BoJ and PBoC maintained status quo. In the coming week, investors will turn their focus towards key data prints from US including consumer confidence, PCE index and report on manufacturing. On the domestic front, RBI's bulletin noted the food price volatility continues to remain a contingent risk. It also noted the household consumption is expected to grow at a faster pace in Q2 amidst revival in rural demand and easing of headline inflation.

- Global markets ended mixed as investors continue to monitor the slew of decisions by global Central Banks. FTSE closed lower despite better than expected retail sales data. Sensex rose further by 1.6%, led by strong gains in real estate and capital goods stocks. It is trading further higher today, in line with other Asian markets.

Fig 1 – Stock markets

	19-09-2024	20-09-2024	Change, %
Dow Jones	42,025	42,063	0.1
S & P 500	5,714	5,703	(0.2)
FTSE	8,329	8,230	(1.2)
Nikkei	37,155	37,724	1.5
Hang Seng	18,013	18,259	1.4
Shanghai Comp	2,736	2,737	0
Sensex	83,185	84,544	1.6
Nifty	25,416	25,791	1.5

Source: Bloomberg, Bank of Baroda Research

- Major global currencies ended mixed. JPY fell the most, while GBP and CNY gained and EUR ended flat. DXY was also unchanged. Yen depreciated as BoJ signalled that it was in no hurry to hike rates. GBP was supported by higher yields. INR rose by 0.1%, as oil prices eased. It is trading much stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	19-09-2024	20-09-2024	Change, %
EUR/USD (1 EUR / USD)	1.1162	1.1162	0
GBP/USD (1 GBP / USD)	1.3284	1.3321	0.3
USD/JPY (JPY / 1 USD)	142.63	143.85	(0.8)
USD/INR (INR / 1 USD)	83.69	83.58	0.1
USD/CNY (CNY / 1 USD)	7.0627	7.0470	0.2

Source: Bloomberg, Bank of Baroda



- Except yields in Asia (flat), 10Y yields elsewhere inched up. US 10Y yield rose the most, by 3bps. Lesser likelihood of a recession in the US (decline in jobless claims) fuelled the rally. BoE's cautionary tone also impacted sentiments in the UK. India's 10Y yield ended flat, even as oil prices fell. It is trading flat even today.

Fig 3 – Bond 10Y yield

	19-09-2024	20-09-2024	Change, bps
US	3.71	3.74	3
UK	3.89	3.90	1
Germany	2.20	2.21	1
Japan	0.85	0.85	0
China	2.05	2.04	0
India	6.76	6.76	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	19-09-2024	20-09-2024	change in bps
Tbill-91 days	6.55	6.55	0
Tbill-182 days	6.60	6.58	(2)
Tbill-364 days	6.55	6.59	4
G-Sec 2Y	6.68	6.68	(1)
India OIS-2M	6.61	6.61	0
India OIS-9M	6.45	6.45	0
SONIA int rate benchmark	4.95	4.95	0
US SOFR	5.33	4.82	(51)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	19-09-2024	20-09-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.2)	(0.3)	(0.1)
Reverse Repo	0.2	0	(0.2)
Repo	0.8	0	(0.8)

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	17-09-2024	19-09-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	259.1	28.4	(230.7)
Debt	(25.0)	(20.7)	4.3
Equity	284.0	49.1	(234.9)
Mutual funds (Rs cr)	(6,635.4)	706.9	7,342.3
Debt	(6,987.5)	(55.6)	6,931.8
Equity	352.1	762.5	410.4

Source: Bloomberg, Bank of Baroda Research | Note: Data for Mutual Funds as of 17th and 18th Sep 2024

- Oil prices fell, as concerns regarding muted demand from China remain.

Fig 7 – Commodities

	19-09-2024	20-09-2024	% change
Brent crude (US\$/bbl)	74.9	74.5	(0.5)
Gold (US\$/ Troy Ounce)	2,586.7	2,621.9	1.4
Copper (US\$/ MT)	9,388.2	9,346.5	(0.4)
Zinc (US\$/MT)	2,898.2	2,839.0	(2.0)
Aluminium (US\$/MT)	2,539.5	2,485.0	(2.1)

Source: Bloomberg, Bank of Baroda Research



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