

MORNING MOCHA

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ECONOMIST

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Fed's Beige book report noted the economic activity across the country has been sluggish with consumers holding off their spending decision until the elections. The employment growth has moderated and there is widespread weakness noted in manufacturing. On the domestic front, MPC minutes with new external members highlighted there was one vote for rate cut (by 25bps), noting the economy might witness a slowdown based on emerging trends and inflationary demand has been well anchored. However, another member pointed out that the battle against inflation isn't over yet. Even RBI Governor reiterated that rate cuts at this stage could be premature and it's ideally better to 'remain flexible and wait for more evidence of inflation aligning durably with the target'. Separately, GDP in South Korea rose by 0.1% in Q3CY24 (estm; 0.5%) and narrowly avoided technical recession.

- Global indices ended mixed. US indices declined further for the 3rd day in a row with losses noted in technology sector. Investors have pared their expectations of aggressive rate cuts by Fed. Amongst other indices, Hang Seng gained the most. Sensex slipped further with power and capital good stocks leading the losses. It is trading steady today, other Asian stocks are trading lower.

Fig 1 – Stock markets

	22-10-2024	23-10-2024	Change, %
Dow Jones	42,925	42,515	(1.0)
S & P 500	5,851	5,797	(0.9)
FTSE	8,307	8,259	(0.6)
Nikkei	38,412	38,105	(0.8)
Hang Seng	20,499	20,760	1.3
Shanghai Comp	3,286	3,303	0.5
Sensex	80,221	80,082	(0.2)
Nifty	24,472	24,436	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Except INR, other global currencies fell against the dollar. DXY rose by 0.3% and hovers near end-Jul'24 levels. Possibility of higher inflation scenario if President Trump comes back to power and Fed officials stating the need for slower rate cuts, is supporting the rise in US\$. INR ended flat, but is trading a tad higher today (due to dip in oil prices), in line with other Asian currencies.

Fig 2 – Currencies

	22-10-2024	23-10-2024	Change, %
EUR/USD (1 EUR / USD)	1.0799	1.0782	(0.2)
GBP/USD (1 GBP / USD)	1.2984	1.2921	(0.5)
USD/JPY (JPY / 1 USD)	151.08	152.76	(1.1)
USD/INR (INR / 1 USD)	84.08	84.08	0
USD/CNY (CNY / 1 USD)	7.1240	7.1302	(0.1)

Source: Bloomberg, Bank of Baroda



- Major global yields closed mixed. 10Y yields in US rose the most, while it fell in Germany. Gains in US 10Y yield were led by continued political uncertainty before Presidential elections, and statements by Fed officials against another “outsized” rate cut. In contrast, ECB is set to cut rates aggressively. India’s 10Y yield ended flat, and is trading lower at 6.81% today, tracking dip in oil prices.

Fig 3 – Bond 10Y yield

	22-10-2024	23-10-2024	Change, bps
US	4.21	4.25	4
UK	4.17	4.20	3
Germany	2.32	2.30	(1)
Japan	0.98	0.98	0
China	2.14	2.16	2
India	6.82	6.82	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	22-10-2024	23-10-2024	change in bps
Tbill-91 days	6.45	6.47	2
Tbill-182 days	6.53	6.58	5
Tbill-364 days	6.55	6.57	2
G-Sec 2Y	6.68	6.70	2
India OIS-2M	6.60	6.60	0
India OIS-9M	6.57	6.55	(2)
SONIA int rate benchmark	4.95	4.95	0
US SOFR	4.82	4.83	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	22-10-2024	23-10-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.7)	(0.6)	0.1
Reverse Repo	0.2	0.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	21-10-2024	22-10-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	1,141.8	(704.1)	(1,845.9)
Debt	(132.0)	(248.8)	(116.9)
Equity	1,273.8	(455.3)	(1,729.1)
Mutual funds (Rs cr)	83.5	(705.9)	(789.5)
Debt	(4,223.9)	(2,799.8)	1,424.1
Equity	4,307.5	2,093.9	(2,213.6)

Source: Bloomberg, Bank of Baroda Research | Note: Data for Mutual Funds as of 18th and 21st Oct

- Oil prices fell, tracking higher than expected rise in US crude inventories.

Fig 7 – Commodities

	22-10-2024	23-10-2024	% change
Brent crude (US\$/bbl)	76.0	75.0	(1.4)
Gold (US\$/ Troy Ounce)	2,749.0	2,715.6	(1.2)
Copper (US\$/ MT)	9,437.8	9,376.5	(0.6)
Zinc (US\$/MT)	3,161.6	3,202.3	1.3
Aluminium (US\$/MT)	2,633.5	2,669.5	1.4

Source: Bloomberg, Bank of Baroda Research



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