

MORNING MOCHA

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ECONOMIST

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In a surprise move, China's regulators announced a slew of measures and this included cutting down the short term 7-day reverse repo rate to 1.5% (from 1.7%) and lowering down the reserve requirement ratio (RRR) by 0.5%. These are expected to add liquidity of around US\$140 bn in the market. These measures have been announced with the objective to spur economic growth. These have come post the aggressive rate cut by Fed. The next non-farm payrolls report might offer more guidance in terms of assessing Feds' rate cut expectations, with investors pricing in at least a 25bps cut in Nov'24. Eurozone business activity slipped in to contraction (48.9 from 51.2) owing to lower new orders and falling confidence. This in turn raised risk of hard landing. The focus will shift towards upcoming RBA's decision and BoJ's Governor speech scheduled later today.

- Barring Hang Seng, other global markets ended higher. US indices climbed higher amidst dovish commentary by Fed policymakers and supported by steady business activity (Flash composite PMI: 54.4 in Sep from 54.6 in Aug). Sensex ended in green, supported by a rally in oil & gas and real estate stocks. It is trading lower today, while other Asian indices are trading higher.

Fig 1 – Stock markets

	20-09-2024	23-09-2024	Change, %
Dow Jones	42,063	42,125	0.1
S & P 500	5,703	5,719	0.3
FTSE	8,230	8,260	0.4
Nikkei	37,155	37,724	1.5
Hang Seng	18,259	18,247	(0.1)
Shanghai Comp	2,737	2,749	0.4
Sensex	84,544	84,929	0.5
Nifty	25,791	25,939	0.6

Source: Bloomberg, Bank of Baroda Research

- Except GBP and INR, other major global currencies fell against the US\$. DXY was up by 0.1%, as investors turned cautious tracking tensions in the Middle East and signs of price build-up in PMI survey data. EUR fell by 0.5% as PMIs indicate worsening economic situation. INR ended flat, even as oil prices eased. It is trading lower today, while other Asian currencies are trading higher.

Fig 2 – Currencies

	20-09-2024	23-09-2024	Change, %
EUR/USD (1 EUR / USD)	1.1162	1.1111	(0.5)
GBP/USD (1 GBP / USD)	1.3321	1.3347	0.2
USD/JPY (JPY / 1 USD)	142.63	143.85	(0.8)
USD/INR (INR / 1 USD)	83.58	83.56	0
USD/CNY (CNY / 1 USD)	7.0470	7.0521	(0.1)

Source: Bloomberg, Bank of Baroda



- Global yields closed mixed. Both US and UK 10Y yield inched up, while it fell in Germany. US 10Y yield was impacted by PMI data showing signs of build-up in price pressures. Continued weakness in Eurozone (PMIs) is pointing towards need for more rate cuts by ECB to support growth. India's 10Y yield rose by 1bps, and is trading at similar levels today.

Fig 3 – Bond 10Y yield

	20-09-2024	23-09-2024	Change, bps
US	3.74	3.75	1
UK	3.90	3.92	2
Germany	2.21	2.16	(5)
Japan	0.85	0.85	0
China	2.04	2.04	0
India	6.76	6.77	1

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	20-09-2024	23-09-2024	change in bps
Tbill-91 days	6.55	6.55	0
Tbill-182 days	6.58	6.59	1
Tbill-364 days	6.59	6.57	(2)
G-Sec 2Y	6.68	6.67	0
India OIS-2M	6.61	6.62	1
India OIS-9M	6.45	6.44	(1)
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	20-09-2024	23-09-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.3)	0.3	0.6
Reverse Repo	0	0	0
Repo	0	0.3	0.3

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	19-09-2024	20-09-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	28.4	1,878.5	1,850.1
Debt	(20.7)	60.2	80.9
Equity	49.1	1,818.3	1,769.2
Mutual funds (Rs cr)	706.9	22.8	(684.0)
Debt	(55.6)	(4,593.3)	(4,537.7)
Equity	762.5	4,616.1	3,853.6

Source: Bloomberg, Bank of Baroda Research | Note: Data for Mutual Funds as of 18th and 19th Sep 2024

- Oil prices rises amidst escalating geopolitical tensions in Middle East.

Fig 7 – Commodities

	20-09-2024	23-09-2024	% change
Brent crude (US\$/bbl)	74.5	73.9	(0.8)
Gold (US\$/ Troy Ounce)	2,621.9	2,628.7	0.3
Copper (US\$/ MT)	9,346.5	9,413.1	0.7
Zinc (US\$/MT)	2,839.0	2,847.4	0.3
Aluminium (US\$/MT)	2,485.0	2,494.5	0.4

Source: Bloomberg, Bank of Baroda Research



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