

## MORNING MOCHA

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Geo-political tensions in the Middle East remained a top focus for investors amid an escalation in hostilities between Israel and Iran. Global markets witnessed a sharp self-off amid increased risk aversion, and oil prices inched up. Investors also assessed comments from US President, as a wider conflict is likely to lead to more volatility in the global markets. Separately, Services PMI in both the Eurozone and the UK inched lower. In US, macro data signalled a mixed picture. US ISM services PMI inched up to a 19-month high at 54.9 in Sep'24 from 51.5, led by strong growth in new orders. However, factory orders declined unexpectedly by -0.2% in Aug'24 (est. 0%) versus an increase of 4.9% in Jul'24. Jobless claims inched up marginally by 6,000, but the underlying momentum signals continued strength. US jobs report due later today is likely to shed more light on the labour market conditions and drive the path of monetary policy.

- Investors assessed a mix of macro and geopolitical factors. US stocks moderated tracking mixed data in the region. Nikkei was supported by expectations of fiscal stimulus from the new PM. Hang Seng fell, as EU is set to vote on tariff concerning EV from China. Sensex inched down amid a risk-off sentiment. It is trading further lower, while Asian stocks are trading mixed.

**Fig 1 – Stock markets**

	02-10-2024	03-10-2024	Change, %
Dow Jones	42,197	42,012	(0.4)
S & P 500	5,710	5,700	(0.2)
FTSE	8,291	8,283	(0.1)
Nikkei	37,809	38,552	2.0
Hang Seng	22,444	22,114	(1.5)
Shanghai Comp	3,088	3,336	8.1
Sensex	84,266	82,497	(2.1)
Nifty	25,797	25,250	(2.1)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India and Hong Kong were closed on 2 Oct, Markets in China are closed since 30 Sep

- Global currencies ended weaker. DXY rose by 0.3% supported by safe-haven demand and positive data. GBP fell the most by 1.1% as the BoE is expected to cut rates more swiftly than the Fed. INR depreciated tracking a rise in oil prices. It is trading at similar levels today while Asian currencies are trading mixed.

**Fig 2 – Currencies**

	02-10-2024	03-10-2024	Change, %
EUR/USD (1 EUR / USD)	1.1045	1.1031	(0.1)
GBP/USD (1 GBP / USD)	1.3268	1.3124	(1.1)
USD/JPY (JPY / 1 USD)	146.47	146.93	(0.3)
USD/INR (INR / 1 USD)	83.82	83.97	(0.2)
USD/CNY (CNY / 1 USD)	7.0111	7.0187	(0.1)

Source: Bloomberg, Bank of Baroda | Note: Markets in India were closed on 2 Oct, Markets in China are closed since 30 Sep



- Except UK (tad lower), global yields closed higher. Growth indicators in the US hinting at soft landing led an increase in US 10Y. Germany's 10Y yield also inched up by 5bps. UK's 10Y yield got marginal comfort from strengthening expectations of monetary easing from BoE. India's 10Y yield rose by 4bps, as oil prices inched up. It is trading at 6.79% today.

**Fig 3 – Bond 10Y yield**

	02-10-2024	03-10-2024	Change, bps
US	3.78	3.85	6
UK	4.03	4.02	(1)
Germany	2.09	2.14	5
Japan	0.83	0.83	1
China	2.18	2.21	3
India	6.73	6.78	4

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 2 Oct 2024, Markets in China are closed since 30 Sep 2024

**Fig 4 – Short term rates**

	02-10-2024	03-10-2024	change in bps
Tbill-91 days	6.45	6.46	1
Tbill-182 days	6.52	6.55	3
Tbill-364 days	6.55	6.54	(1)
G-Sec 2Y	6.66	6.66	0
India OIS-2M	6.59	6.59	0
India OIS-9M	6.44	6.44	(1)
SONIA int rate benchmark	4.95	4.95	0
US SOFR	5.05	4.92	(13)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 2 Oct 2024

**Fig 5 – Liquidity**

Rs tn	01-10-2024	03-10-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.0)	(2.9)	(0.9)
Reverse Repo	0	0	0
Repo	0.3	1.2	0.9

Source: RBI, Bank of Baroda Research | Note: Markets in India were closed on 2 Oct 2024

**Fig 6 – Capital market flows**

	30-09-2024	01-10-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(749.4)	(341.6)	407.8
Debt	17.6	279.8	262.2
Equity	(767.0)	(621.4)	145.6
Mutual funds (Rs cr)	7,357.2	6,391.4	(965.7)
Debt	(428.9)	200.3	629.2
Equity	7,786.1	6,191.1	(1,595.0)

Source: Bloomberg, Bank of Baroda Research | Note: Data for Mutual Funds as of 27 Sep and 30 Sep. Note: Markets in India were closed on 2 Oct

- Oil prices rose amid supply concerns due to the widening conflict in Middle East.

**Fig 7 – Commodities**

	02-10-2024	03-10-2024	% change
Brent crude (US\$/bbl)	73.9	77.6	5.0
Gold (US\$/ Troy Ounce)	2,658.7	2,655.9	(0.1)
Copper (US\$/ MT)	9,943.3	9,717.9	(2.3)
Zinc (US\$/MT)	3,145.0	3,095.6	(1.6)
Aluminium (US\$/MT)	2,678.5	2,629.0	(1.8)

Source: Bloomberg, Bank of Baroda Research



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