

## MORNING MOCHA

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ECONOMIST  
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Stronger than expected labour market in the US has revived fears that Fed may not be lowering rates as much as markets were pricing in earlier. In Europe, UK's Halifax house price index shows that house prices in Sep'24 rose for the 3<sup>rd</sup> month in a row, in view of strong wage growth and easing interest rates. In Germany, conditions remain bleak as industrial orders in Aug'24 fell by (-) 5.8% (MoM) versus est.: (-) 2% decline, dragged by (-) 10.5% decline in orders from other Eurozone economies. This indicates high distress levels in the region. Elsewhere in China, government has announced stimulus measures, but these have fallen short of investor expectations, as they are unlikely to provide significant boost to the economy. Measures include: speeding up of special purpose bond issuances for local governments, and potential announcement of 100bn Yuan investment program for CY25 by the end of Oct'24.

- Global indices ended mixed. Investors monitored the ongoing conflict in the Middle East which could possibly have an impact on oil prices. Moreover, traders have lowered their expectation of a 50bps cut by Fed in Nov'24. Sensex continued to tumble and was dragged down by sharp losses in power and metal stocks. It is trading higher today while other Asian indices are trading lower.

**Fig 1 – Stock markets**

	04-10-2024	07-10-2024	Change, %
Dow Jones	42,353	41,954	(0.9)
S & P 500	5,751	5,696	(1.0)
FTSE	8,281	8,304	0.3
Nikkei	38,636	39,333	1.8
Hang Seng	22,737	23,100	1.6
Shanghai Comp	3,088	3,336	8.1
Sensex	81,688	81,050	(0.8)
Nifty	25,015	24,796	(0.9)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in China are closed since 30 Sep

- Global currencies ended mixed. DXY remained steady after the better-than-expected jobs report. Speeches by FOMC members scheduled today will be closely tracked for any guidance on rates as this could also impact DXY and gold prices. INR ended flat. It is trading stronger today while other currencies are trading mixed.

**Fig 2 – Currencies**

	04-10-2024	07-10-2024	Change, %
EUR/USD (1 EUR / USD)	1.0974	1.0976	0
GBP/USD (1 GBP / USD)	1.3122	1.3083	(0.3)
USD/JPY (JPY / 1 USD)	148.70	148.18	0.4
USD/INR (INR / 1 USD)	83.98	83.98	0
USD/CNY (CNY / 1 USD)	7.0111	7.0187	(0.1)

Source: Bloomberg, Bank of Baroda | Note: Markets in China are closed since 30 Sep



- Global yields continue to inch up. 10Y yields in UK and US rose the most. Strength in US labour market is making investors believe that Fed may not cut rates as aggressively as previously planned. US 10Y yield thus crossed the 4% mark for the 1<sup>st</sup> time since early Aug'24. India's 10Y yield also rose by 2bps, tracking global cues and oil prices. However, it is trading lower at 6.82% today.

**Fig 3 – Bond 10Y yield**

	04-10-2024	07-10-2024	Change, bps
US	3.97	4.03	6
UK	4.13	4.21	8
Germany	2.21	2.26	5
Japan	0.89	0.93	5
China	2.18	2.21	3
India	6.84	6.85	2

Source: Bloomberg, Bank of Baroda Research | Note: Markets in China are closed since 30 Sep 2024

**Fig 4 – Short term rates**

	04-10-2024	07-10-2024	change in bps
Tbill-91 days	6.46	6.45	(1)
Tbill-182 days	6.54	6.54	0
Tbill-364 days	6.54	6.54	0
G-Sec 2Y	6.68	6.68	0
India OIS-2M	6.59	6.59	0
India OIS-9M	6.50	6.52	2
SONIA int rate benchmark	4.95	4.95	0
US SOFR	4.85	4.83	(2)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	04-10-2024	07-10-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.8)	(1.6)	1.2
Reverse Repo	0	0.4	0.4
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	03-10-2024	04-10-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(1,948.8)	(1,092.0)	856.8
Debt	(101.7)	56.7	158.4
Equity	(1,847.2)	(1,148.7)	698.5
Mutual funds (Rs cr)	9,099.6	11,633.3	2,533.8
Debt	4,550.1	580.2	(3,969.9)
Equity	4,549.5	11,053.2	6,503.7

Source: Bloomberg, Bank of Baroda Research | Note: Data for Mutual Funds as of 1 Oct and 3 Oct; Markets in India were closed on 2 Oct

- Oil prices surpass US\$80/bbl mark, as tensions in Middle East still remain.

**Fig 7 – Commodities**

	04-10-2024	07-10-2024	% change
Brent crude (US\$/bbl)	78.1	80.9	3.7
Gold (US\$/ Troy Ounce)	2,653.6	2,642.6	(0.4)
Copper (US\$/ MT)	9,796.4	9,777.7	(0.2)
Zinc (US\$/MT)	3,143.5	3,150.7	0.2
Aluminium (US\$/MT)	2,653.0	2,658.0	0.2

Source: Bloomberg, Bank of Baroda Research



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