

MORNING MOCHA

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As US labour market data aligns more with the possibility of a 25bps rate cut by Fed later this month, investors await CPI data for more cues to bet if Fed will lower rates by a higher quantum. US CPI is expected to come in unchanged from the previous month at 0.2% (MoM). In contrast, expectations of BoJ hiking rates in Oct'24 meeting have increased, as final GDP estimates showed consumption continues to hold ground, despite marginal downward revision. Elsewhere in China, exports rose by 8.7% in Aug'24 (est.: 6.5%) following 7% increase in Jul'24. Exports remain a bright spot, supported by demand from US, EU and ASEAN economies. Imports on the other hand came in weaker (0.5%) than expected (2%), highlighting weakness in domestic demand conditions. Imports from EU and Russia took a beating. This is also expected to weigh on international oil prices. On the domestic front, Kharif sowing was up by 2.2% as of 9 Sep and rainfall is 8% above LPA.

- Global indices ended mixed. US stocks rose as focus shifted to the CPI report and the presidential debate. In Asia, market sentiments were muted amid weak data from China. Sensex bucked the weakness in Asian markets and rose by 0.5%. Banking and consumer durables stocks rose the most. It is trading further higher, while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	06-09-2024	09-09-2024	Change, %
Dow Jones	40,345	40,830	1.2
S & P 500	5,408	5,471	1.2
FTSE	8,181	8,271	1.1
Nikkei	36,391	36,216	(0.5)
Hang Seng	17,444	17,197	(1.4)
Shanghai Comp	2,766	2,736	(1.1)
Sensex	81,184	81,560	0.5
Nifty	24,852	24,936	0.3

Source: Bloomberg, Bank of Baroda Research| Note: Markets in Hong Kong were closed on 6 Sep 2024

- Global currencies ended broadly weaker. DXY rose by 0.4% as investor scaled back expectations of a 50bps rate cut in Sep'24. Focus now remains on the CPI report. JPY depreciated the most as Japan's Q2 GDP was revised lower. INR is trading weaker today, in line with other Asian currencies.

Fig 2 – Currencies

	06-09-2024	09-09-2024	Change, %
EUR/USD (1 EUR / USD)	1.1084	1.1035	(0.4)
GBP/USD (1 GBP / USD)	1.3129	1.3074	(0.4)
USD/JPY (JPY / 1 USD)	142.30	143.18	(0.6)
USD/INR (INR / 1 USD)	83.95	83.96	0
USD/CNY (CNY / 1 USD)	7.0980	7.1137	(0.2)

Source: Bloomberg, Bank of Baroda



- Global 10Y yields closed mixed. Yields in UK and US fell, while it rose considerably in Japan. Investors await US CPI data for cues on quantum of Fed's rate cut. Despite marginal downgrade to Japan's GDP, analysts expect BoJ to hike rates in Oct'24. India's 10Y yield closed stable. It is trading flat even today at 6.85%, despite increase in oil prices.

Fig 3 – Bond 10Y yield

	06-09-2024	09-09-2024	Change, bps
US	3.71	3.70	(1)
UK	3.89	3.86	(3)
Germany	2.17	2.17	0
Japan	0.85	0.90	5
China	2.14	2.13	(1)
India	6.86	6.85	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	06-09-2024	09-09-2024	change in bps
Tbill-91 days	6.65	6.64	(1)
Tbill-182 days	6.69	6.71	2
Tbill-364 days	6.72	6.74	2
G-Sec 2Y	6.74	6.74	0
India OIS-2M	6.60	6.61	1
India OIS-9M	6.50	6.49	(1)
SONIA int rate benchmark	4.95	4.95	0
US SOFR	5.35	5.34	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	06-09-2024	09-09-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.4)	(1.3)	1.1
Reverse Repo	0	0.7	0.7
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	05-09-2024	06-09-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(113.9)	260.8	374.8
Debt	(6.3)	29.3	35.6
Equity	(107.7)	231.5	339.2
Mutual funds (Rs cr)	(104.8)	666.0	770.8
Debt	(1,118.8)	(2,640.2)	(1,521.5)
Equity	1,014.0	3,306.3	2,292.3

Source: Bloomberg, Bank of Baroda Research | Note: Data for Mutual Funds as of 4 Sep and 5 Sep 2024

- Oil prices rose as supply concerns offset weak demand worries.

Fig 7 – Commodities

	06-09-2024	09-09-2024	% change
Brent crude (US\$/bbl)	71.1	71.8	1.1
Gold (US\$/ Troy Ounce)	2,497.4	2,506.4	0.4
Copper (US\$/ MT)	8,875.5	8,972.4	1.1
Zinc (US\$/MT)	2,668.0	2,681.0	0.5
Aluminium (US\$/MT)	2,342.0	2,350.5	0.4

Source: Bloomberg, Bank of Baroda Research



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