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 ECONOMIST
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Global markets remained cautious as host of policy decisions are scheduled (US, UK, Japan, Brazil and South Africa). Market has already priced in a Sep cut by Fed; however, the quantum would be crucial. Elsewhere, ECB official after delivering a rate cut again hinted at softer policy on the back of inflation aligning to its target. In China, weak high frequency data has raised anticipation of policy intervention. PBOC also hinted at stimulus to buttress growth. Amongst major macro releases, US consumer sentiment improved for the second consecutive month. Inflation expectations of the region for 1 year ahead moderated. Industrial production in both the Euro Area and EU softened. On domestic front, India's 10Y dipped below the 6.8% mark and resistance level will be further tested in the Fed policy week.

- Global indices ended mixed. Stocks in US advanced amid news reports indicating the possibility of an outsized Fed rate cut in Sep'24. Barring Hong Kong, stocks in Asia closed lower. Nikkei fell as investors await outcome of the BoJ meeting. Auto and tech stocks led the decline. Sensex ended marginally weaker weighed down by oil and gas stocks. However, it is trading higher today, while other Asian markets are trading mostly weaker.

Fig 1 – Stock markets

	12-09-2024	13-09-2024	Change, %
Dow Jones	41,097	41,394	0.7
S & P 500	5,596	5,626	0.5
FTSE	8,241	8,273	0.4
Nikkei	36,833	36,582	(0.7)
Hang Seng	17,240	17,369	0.7
Shanghai Comp	2,717	2,704	(0.5)
Sensex	82,963	82,891	(0.1)
Nifty	25,389	25,357	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Except EUR and GBP, other global currencies appreciated against the dollar. DXY declined by 0.2% as news reports indicated that the possibility of a 50bps rate cut by the Fed in Sep'24 was still on the table. JPY rose the most and surged to a more than 1-year high. INR too appreciated to a 3-week high. It is trading further stronger today, in line with its Asian peers.

Fig 2 – Currencies

	12-09-2024	13-09-2024	Change, %
EUR/USD (1 EUR / USD)	1.1074	1.1075	0
GBP/USD (1 GBP / USD)	1.3124	1.3124	0
USD/JPY (JPY / 1 USD)	141.82	140.85	0.7
USD/INR (INR / 1 USD)	83.98	83.90	0.1
USD/CNY (CNY / 1 USD)	7.1174	7.0972	0.3

Source: Bloomberg, Bank of Baroda



- Global yields closed lower ahead of policy announcement week. US 10Y yield fell by 2bps as inflation expectations remained well aligned. 10Y yield in other AEs also followed suit. The crucial watch in the current week will be the movement of JPY to USD and that in turn will drive the momentum of other major asset class. India's 10Y yield closed below 6.8% mark.

Fig 3 – Bond 10Y yield

	12-09-2024	13-09-2024	Change, bps
US	3.67	3.65	(2)
UK	3.78	3.77	(1)
Germany	2.15	2.15	0
Japan	0.87	0.85	(2)
China	2.10	2.07	(2)
India	6.81	6.79	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	12-09-2024	13-09-2024	change in bps
Tbill-91 days	6.64	6.61	(3)
Tbill-182 days	6.69	6.65	(4)
Tbill-364 days	6.69	6.64	(5)
G-Sec 2Y	6.71	6.69	(2)
India OIS-2M	6.61	6.61	0
India OIS-9M	6.44	6.43	(1)
SONIA int rate benchmark	4.95	4.95	0
US SOFR	5.32	5.33	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	12-09-2024	13-09-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.0)	(1.4)	0.6
Reverse Repo	0.4	0.2	(0.2)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	11-09-2024	12-09-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	256.1	319.5	63.4
Debt	(96.7)	(22.3)	74.4
Equity	352.8	341.8	(11.0)
Mutual funds (Rs cr)	666.0	(6,253.4)	(6,919.5)
Debt	(2,640.2)	(6,981.3)	(4,341.1)
Equity	3,306.3	727.9	(2,578.3)

Source: Bloomberg, Bank of Baroda Research | Note: Data for Mutual Funds as of 5th and 6th Sep 2024

- Oil prices declined amid easing supply concerns.

Fig 7 – Commodities

	12-09-2024	13-09-2024	% change
Brent crude (US\$/bbl)	72.0	71.6	(0.5)
Gold (US\$/ Troy Ounce)	2,557.9	2,577.7	0.8
Copper (US\$/ MT)	9,095.7	9,189.2	1.0
Zinc (US\$/MT)	2,818.2	2,866.3	1.7
Aluminium (US\$/MT)	2,415.5	2,471.0	2.3

Source: Bloomberg, Bank of Baroda Research



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