

MORNING MOCHA

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 ECONOMIST
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OECD in its economic outlook report for Sep'24 noted that global growth is likely to stabilize with a forecast of 3.2% in CY24 and CY25. It noted the headline inflation will decline in most countries led by lower prices of food, energy and goods.

Following other Central Bank, Swiss Central Bank also reduced interest rates by 25bps to 3.25% with a dovish hint of 2 more rate cuts. The focus will shift towards the upcoming speech by Fed Chair which will offer guidance on rate outlook along with key data releases US GDP, PCE and jobless claims data. On domestic front, the ministry of agriculture released the final estimates of foodgrain production for 2023-24 indicating higher wheat and rice production. ADB has retained its India's growth forecast for FY25 and FY26 at 7% and 7.2% from Apr'24. It was stated the economy is expected to grow at a steady pace despite geopolitical challenges.

- Global indices ended mixed. US markets retreated from a recent record high as investors turned their attention towards upcoming key data releases. Hang Seng and Shanghai Comp continued to advance amidst announcement of economic stimulus measures. Sensex ended in green led by strong gains in power and real estate stocks. It is trading higher today in line with other Asian indices.

Fig 1 – Stock markets

	24-09-2024	25-09-2024	Change, %
Dow Jones	42,208	41,915	(0.7)
S & P 500	5,733	5,722	(0.2)
FTSE	8,283	8,269	(0.2)
Nikkei	37,941	37,870	(0.2)
Hang Seng	19,001	19,129	0.7
Shanghai Comp	2,863	2,896	1.2
Sensex	84,914	85,170	0.3
Nifty	25,940	26,004	0.2

Source: Bloomberg, Bank of Baroda Research

- Barring INR and CNY, other major global currencies fell against the US\$ DXY rose by 0.4%, tracking gains in treasury yields. JPY and GBP depreciated the most. JPY fell to its 3-week low as analysts remain concerned about BoJ's more than expected dovish stance. INR gained, as oil prices fell. However, it is trading lower today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	24-09-2024	25-09-2024	Change, %
EUR/USD (1 EUR / USD)	1.1180	1.1133	(0.4)
GBP/USD (1 GBP / USD)	1.3413	1.3324	(0.7)
USD/JPY (JPY / 1 USD)	143.23	144.75	(1.1)
USD/INR (INR / 1 USD)	83.67	83.60	0.1
USD/CNY (CNY / 1 USD)	7.0318	7.0338	0

Source: Bloomberg, Bank of Baroda



- Global yields closed mixed. Asian bond yields closed lower/flat, while they inched up in US/Europe. US 10Y yield rose the most, followed by UK. Investors turned cautious as they await release of labour market (jobless claims) and price (PCE index) data. India's 10Y yield fell by 2bps to reach its lowest level since Feb'22. It is trading even lower today, at 6.73%, tracking dip in oil prices.

Fig 3 – Bond 10Y yield

	24-09-2024	25-09-2024	Change, bps
US	3.73	3.78	6
UK	3.94	3.99	5
Germany	2.15	2.18	3
Japan	0.82	0.82	0
China	2.06	2.04	(3)
India	6.76	6.74	(2)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	24-09-2024	25-09-2024	change in bps
Tbill-91 days	6.54	6.52	(2)
Tbill-182 days	6.57	6.56	(1)
Tbill-364 days	6.55	6.54	(1)
G-Sec 2Y	6.69	6.68	0
India OIS-2M	6.62	6.60	(2)
India OIS-9M	6.44	6.43	(2)
SONIA int rate benchmark	4.95	4.95	0
US SOFR	4.83	4.84	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	24-09-2024	25-09-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.3	0.1	(0.2)
Reverse Repo	0	0	0
Repo	0.3	0.8	0.5

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	23-09-2024	24-09-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	261.2	(143.5)	(404.8)
Debt	18.0	30.3	12.4
Equity	243.3	(173.9)	(417.2)
Mutual funds (Rs cr)	(2,714.3)	721.4	3,435.7
Debt	(238.3)	(1,278.4)	(1,040.1)
Equity	(2,476.1)	1,999.8	4,475.8

Source: Bloomberg, Bank of Baroda Research | Note: Data for Mutual Funds as of 20th and 23rd Sep 2024

- Oil prices fell, as concern regarding supply disruptions in Libya eased.

Fig 7 – Commodities

	24-09-2024	25-09-2024	% change
Brent crude (US\$/bbl)	75.2	73.5	(2.3)
Gold (US\$/ Troy Ounce)	2,657.1	2,656.9	0
Copper (US\$/ MT)	9,665.3	9,677.6	0.1
Zinc (US\$/MT)	2,974.7	2,963.4	(0.4)
Aluminium (US\$/MT)	2,556.0	2,538.5	(0.7)

Source: Bloomberg, Bank of Baroda Research



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