

**MORNING MOCHA**

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US PCE moderated to 0.1% from 0.2% in Jul'24 (MoM), suggesting a further dip in underlying price pressures. Consumer spending decelerated to 0.2%, after increasing by 0.5% in Jul'24, but remained on a strong footing. The data vindicates the Fed's assertion of a soft landing and opens room for more rate cuts. In Japan, the incoming Prime Minister is widely believed to be antagonistic to the BoJ's long-standing ultra-dovish monetary policy. This comes on heels of data showing a drop in Japan's industrial production (-3.3% vs. -0.5% est.), even as retail sales posted a robust growth (0.8% vs. 0.3% est.) on a MoM basis. Separately, China's official PMIs painted a grim picture of the economy. Non-manufacturing PMI dropped sharply to 50.3 in Sep'24 from 51.6. On the other hand, manufacturing PMI remained in the contraction zone for the 5<sup>th</sup> straight month at 49.8, edging up from 49.1 in Aug'24.

- Barring S&P 500, global markets ended higher. Easing liquidity conditions amid positive inflation data in the US and stimulus measures in China, boosted equity indices. Asian stocks rose the most. However, some downside movement in Nikkei is expected on the back of the elections results and the surge in yen. Sensex moderated, led by real estate and banking stocks. It is further trading lower today, while Asian stocks are trading mixed.

**Fig 1 – Stock markets**

	26-09-2024	27-09-2024	Change, %
Dow Jones	42,175	42,313	0.3
S & P 500	5,745	5,738	(0.1)
FTSE	8,285	8,321	0.4
Nikkei	38,926	39,830	2.3
Hang Seng	19,925	20,632	3.6
Shanghai Comp	3,001	3,088	2.9
Sensex	85,836	85,572	(0.3)
Nifty	26,216	26,179	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Except JPY, other global currencies broadly depreciated. DXY was lower on anticipation of further rate cuts. JPY rose by 1.8% on expectations of higher rates after the election of the new Prime Minister. INR depreciated by 0.1%. It is trading further weaker today, while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	26-09-2024	27-09-2024	Change, %
EUR/USD (1 EUR / USD)	1.1177	1.1162	(0.1)
GBP/USD (1 GBP / USD)	1.3415	1.3374	(0.3)
USD/JPY (JPY / 1 USD)	144.81	142.21	1.8
USD/INR (INR / 1 USD)	83.64	83.70	(0.1)
USD/CNY (CNY / 1 USD)	7.0111	7.0111	0

Source: Bloomberg, Bank of Baroda



- US 10Y yield fell the most as core PCE data highlighted further softening in inflation, supporting further Fed cuts. The impact was felt in 10Y yields of Germany and UK as well. This was further supported by macro data (sticky unemployment rate in Germany and modest growth in retail sales in UK). India's 10Y yield witnessed some correction and is trading at 6.75% today.

**Fig 3 – Bond 10Y yield**

	26-09-2024	27-09-2024	Change, bps
US	3.80	3.75	(5)
UK	4.01	3.98	(3)
Germany	2.18	2.13	(5)
Japan	0.83	0.85	2
China	2.08	2.18	10
India	6.72	6.76	4

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	26-09-2024	27-09-2024	change in bps
Tbill-91 days	6.48	6.50	2
Tbill-182 days	6.57	6.55	(2)
Tbill-364 days	6.55	6.56	1
G-Sec 2Y	6.68	6.65	(2)
India OIS-2M	6.60	6.60	0
India OIS-9M	6.42	6.44	1
SONIA int rate benchmark	4.95	4.95	0
US SOFR	4.84	4.83	(1)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	26-09-2024	27-09-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.4)	(0.8)	(0.4)
Reverse Repo	0	0	0
Repo	0.3	0.2	(0.1)

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	25-09-2024	26-09-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(71.8)	1,041.4	1,113.1
Debt	4.4	21.3	16.9
Equity	(76.2)	1,020.0	1,096.2
Mutual funds (Rs cr)	4,068.6	2,400.1	(1,668.4)
Debt	(198.5)	179.9	378.4
Equity	4,267.1	2,220.3	(2,046.8)

Source: Bloomberg, Bank of Baroda Research | Note: Data for Mutual Funds as of 24 Sep and 25 Sep 2024

- Oil prices inched up amidst supply side disruptions from Middle East conflict.

**Fig 7 – Commodities**

	26-09-2024	27-09-2024	% change
Brent crude (US\$/bbl)	71.6	72.0	0.5
Gold (US\$/ Troy Ounce)	2,672.4	2,658.2	(0.5)
Copper (US\$/ MT)	9,944.8	9,846.5	(1.0)
Zinc (US\$/MT)	3,061.2	3,051.9	(0.3)
Aluminium (US\$/MT)	2,611.5	2,646.5	1.3

Source: Bloomberg, Bank of Baroda Research



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