

MORNING MOCHA

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Fed's FOMC minutes show that Sep'24 rate cut was not a unanimous decision, a first since 2005. One member dissented and voted for 25bps cut. Since the rate cut in Sep'24, labour market has proved to be more resilient than expected and inflationary pressures are also building up. Geopolitical tensions in the Middle East is keeping oil prices on edge. Also, if recent stimulus measures announced by China succeed in reviving demand, then that will also add to global inflationary pressures. As a result, US 10Y yield remains above the 4% mark. On the domestic front, after JP Morgan EM index and Bloomberg EM bonds index, FTSE Russell EM govt bond index has also announced India's inclusion into the set. This will take effect from Sep'25 and has helped cool down Indian bond yields. Further, RBI in its policy decision changed its stance to "neutral", providing support to India's bond yields.

- Global indices ended mixed amidst fears around conflict in Middle East. US indices advanced as investors' monitored Fed minutes and awaited inflation data. Sensex closed marginally lower. However, it is trading higher today in line with other Asian indices. In China, PBoC began with stimulus measures which were announced previously in order to boost liquidity.

Fig 1 – Stock markets

	08-10-2024	09-10-2024	Change, %
Dow Jones	42,080	42,512	1.0
S & P 500	5,751	5,792	0.7
FTSE	8,191	8,244	0.6
Nikkei	38,938	39,278	0.9
Hang Seng	20,927	20,637	(1.4)
Shanghai Comp	3,490	3,259	(6.6)
Sensex	81,635	81,467	(0.2)
Nifty	25,013	24,982	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Barring INR (flat), other global currencies ended lower. DXY firmed (near 2-month high) as investors pared bets of aggressive cut ahead of looming inflation report. JPY weakened, fuelled by uncertainty over any more hikes by BoJ. INR ended flat. It is trading at same level while other currencies are trading mixed.

Fig 2 – Currencies

	08-10-2024	09-10-2024	Change, %
EUR/USD (1 EUR / USD)	1.0980	1.0939	(0.4)
GBP/USD (1 GBP / USD)	1.3104	1.3071	(0.3)
USD/JPY (JPY / 1 USD)	148.20	149.31	(0.7)
USD/INR (INR / 1 USD)	83.96	83.96	0
USD/CNY (CNY / 1 USD)	7.0633	7.0808	(0.2)

Source: Bloomberg, Bank of Baroda



- Except China, other global yields eased. US 10Y yield rose the most by 6bps, as FOMC minutes showed that some disagreement regarding the quantum of rate cut that Fed should have announced in its Sep'24 policy. Risks of inflationary pressures coming back also impacted investor sentiments. India's 10Y yield fell by 4bps, tracking RBI's dovish policy. It is trading even lower at 6.75% today.

Fig 3 – Bond 10Y yield

	08-10-2024	09-10-2024	Change, bps
US	4.01	4.07	6
UK	4.18	4.18	0
Germany	2.24	2.26	1
Japan	0.93	0.94	1
China	2.21	2.19	(2)
India	6.81	6.77	(4)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	08-10-2024	09-10-2024	change in bps
Tbill-91 days	6.44	6.42	(2)
Tbill-182 days	6.53	6.53	0
Tbill-364 days	6.54	6.52	(2)
G-Sec 2Y	6.67	6.62	(5)
India OIS-2M	6.58	6.56	(3)
India OIS-9M	6.50	6.44	(7)
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	08-10-2024	09-10-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.6)	(1.3)	0.3
Reverse Repo	0.8	0.8	0
Repo	0	0.1	0.1

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	07-10-2024	08-10-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(1,616.2)	(836.7)	779.5
Debt	(648.4)	(195.7)	452.7
Equity	(967.8)	(641.0)	326.8
Mutual funds (Rs cr)	11,633.3	10,755.4	(877.9)
Debt	580.2	3,037.8	2,457.6
Equity	11,053.2	7,717.7	(3,335.5)

Source: Bloomberg, Bank of Baroda Research | Note: Data for Mutual Funds as of 3 Oct and 4 Oct

- Oil prices fell further, amidst news of rising US crude oil inventories.

Fig 7 – Commodities

	08-10-2024	09-10-2024	% change
Brent crude (US\$/bbl)	77.2	76.6	(0.8)
Gold (US\$/ Troy Ounce)	2,621.8	2,607.8	(0.5)
Copper (US\$/ MT)	9,594.6	9,529.8	(0.7)
Zinc (US\$/MT)	3,065.3	2,994.5	(2.3)
Aluminium (US\$/MT)	2,571.0	2,541.0	(1.2)



Source: Bloomberg, Bank of Baroda Research



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