

**MORNING MOCHA**

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 ECONOMIST  
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Recent commentary by Fed officials brought focus back on the trajectory of interest rates. Fed official Kashkari stated the long run path of rates could be higher than it has been in the past. On the other hand, Fed President Logan noted a patient approach is needed and thereby rates have to be lowered gradually to normal or neutral level in order to 'manage the risk and achieve our goals'. Investors monitored these comments; treasury yields surged to its highest level to 4.2%. A slew of data, including US home sales, durable goods, flash PMI and Fed's Beige book will guide markets this week. Separately, PBoC lowered its 1-year and 5-year lending rate by 25bps each, to 3.1% and 3.6% respectively.

- Barring Shanghai Comp, other global indices ended lower with the focus shifting towards the earnings report. US indices ended lower as investors turned their focus towards upcoming US presidential elections. Amongst other indices, Hang Seng dropped the most. Sensex too ended in red and was dragged down by losses in oil & gas and real estate stocks. However, it is trading higher today, while other Asian stocks are trading lower.

**Fig 1 – Stock markets**

	18-10-2024	21-10-2024	Change, %
Dow Jones	43,276	42,932	(0.8)
S & P 500	5,865	5,854	(0.2)
FTSE	8,358	8,318	(0.5)
Nikkei	38,982	38,955	(0.1)
Hang Seng	20,804	20,478	(1.6)
Shanghai Comp	3,262	3,268	0.2
Sensex	81,225	81,151	(0.1)
Nifty	24,854	24,781	(0.3)

Source: Bloomberg, Bank of Baroda Research

- Except INR (flat), other global currencies fell against the dollar. DXY rose by 0.5% and hovers near its 2-month peak. Divergent opinions of various Fed officials regarding the pace of interest rate cuts, and increased volatility due to upcoming US Presidential elections, supported dollar strength. INR ended flat. However, it is trading a tad lower today, in line with other Asian currencies.

**Fig 2 – Currencies**

	18-10-2024	21-10-2024	Change, %
EUR/USD (1 EUR / USD)	1.0867	1.0815	(0.5)
GBP/USD (1 GBP / USD)	1.3052	1.2985	(0.5)
USD/JPY (JPY / 1 USD)	149.53	150.84	(0.9)
USD/INR (INR / 1 USD)	84.07	84.07	0
USD/CNY (CNY / 1 USD)	7.1023	7.1209	(0.3)

Source: Bloomberg, Bank of Baroda



- Barring Asia, other global yields jumped up sharply. US 10Y yield rose by 11bps, as chances of US Fed maintaining higher rates for longer increased. Also, with Presidential elections only 2 weeks away, analysts remain cautious on that front as well. India's 10Y yield rose by 1bps, tracking gains in oil prices. It is trading a tad higher at 6.84% today.

**Fig 3 – Bond 10Y yield**

	18-10-2024	21-10-2024	Change, bps
US	4.08	4.20	11
UK	4.06	4.14	8
Germany	2.18	2.28	10
Japan	0.98	0.96	(1)
China	2.12	2.12	0
India	6.82	6.83	1

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	18-10-2024	21-10-2024	change in bps
Tbill-91 days	6.44	6.45	1
Tbill-182 days	6.52	6.53	1
Tbill-364 days	6.53	6.54	1
G-Sec 2Y	6.64	6.69	4
India OIS-2M	6.59	6.60	0
India OIS-9M	6.52	6.56	4
SONIA int rate benchmark	4.95	4.95	0
US SOFR	4.85	4.84	(1)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	18-10-2024	21-10-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.1)	(0.8)	1.3
Reverse Repo	0	0.2	0.2
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	17-10-2024	18-10-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(901.0)	(597.3)	303.7
Debt	(31.9)	14.6	46.5
Equity	(869.1)	(611.9)	257.2
Mutual funds (Rs cr)	(1,375.2)	3,568.5	4,943.7
Debt	(3,407.8)	(279.6)	3,128.3
Equity	2,032.7	3,848.1	1,815.4

Source: Bloomberg, Bank of Baroda Research | Note: Data for Mutual Funds as of 16<sup>th</sup> and 17<sup>th</sup> Oct

- Oil prices rose, driven by hopes of economic recovery in China (rate cut)

**Fig 7 – Commodities**

	18-10-2024	21-10-2024	% change
Brent crude (US\$/bbl)	73.1	74.3	1.7
Gold (US\$/ Troy Ounce)	2,721.5	2,719.9	(0.1)
Copper (US\$/ MT)	9,503.0	9,420.8	(0.9)
Zinc (US\$/MT)	3,103.2	3,091.2	(0.4)
Aluminium (US\$/MT)	2,612.0	2,595.5	(0.6)

Source: Bloomberg, Bank of Baroda Research



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