

MORNING MOCHA

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ECONOMIST
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Australia's central bank, RBA, had a hawkish tone to its minutes, as it stated that the "policy will need to remain restrictive until Board members are confident inflation is moving sustainably towards the target". Minutes noted that less than 3% inflation in Aug'24 was primarily due to electricity subsidies. It also acknowledged that labour market remains relatively tight and the output gap is also positive. Separately, central bank of New Zealand (RBNZ) announced a 50bps rate cut (to 4.75%), as inflation returns to target range. However the committee believes that policy still remains restrictive. This has led to investors betting on more aggressive rate cuts in the next few meetings. In Asia, Taiwan's exports moderated significantly, as they rose by 4.5% (YoY) in Sep'24, following 16.8% increase in Aug'24. On the domestic front, RBI is set to announce its policy decision today. We expect no change in rates.

- Global indices ended mixed. US indices rebounded with investors turning their focus towards inflation data, Fed minutes and earnings report. Sharp losses in Hang Seng wiped out previous gains. The stimulus measures proposed in China, kept investors disappointed. Sensex rebounded, led by capital good stocks. It is trading higher today while other Asian indices are trading lower.

Fig 1 – Stock markets

	07-10-2024	08-10-2024	Change, %
Dow Jones	41,954	42,080	0.3
S & P 500	5,696	5,751	1.0
FTSE	8,304	8,191	(1.4)
Nikkei	39,333	38,938	(1.0)
Hang Seng	23,100	20,927	(9.4)
Shanghai Comp	3,336	3,490	4.6
Sensex	81,050	81,635	0.7
Nifty	24,796	25,013	0.9

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY remained steady ahead of Fed minutes with investors repricing their expectations on rate reductions. Inflation data scheduled tomorrow might provide support to DXY. Fed President Collins noted 'further adjustment of policy will likely be needed'. INR ended flat. It is trading stronger today while other currencies are trading mixed.

Fig 2 – Currencies

	07-10-2024	08-10-2024	Change, %
EUR/USD (1 EUR / USD)	1.0976	1.0980	0
GBP/USD (1 GBP / USD)	1.3083	1.3104	0.2
USD/JPY (JPY / 1 USD)	148.18	148.20	0
USD/INR (INR / 1 USD)	83.98	83.96	0
USD/CNY (CNY / 1 USD)	7.0187	7.0633	(0.6)

Source: Bloomberg, Bank of Baroda



- Except China, other global yields eased. 10Y yields in India and UK fell the most. Possibility of ceasefire between Israel and Hezbollah has raised hopes for steady price conditions, due to lesser supply disruptions. India's 10Y yield fell by 4bps, tracking global cues and oil prices. It is trading even lower at 6.79% today, ahead of RBI policy decision.

Fig 3 – Bond 10Y yield

	07-10-2024	08-10-2024	Change, bps
US	4.03	4.01	(1)
UK	4.21	4.18	(2)
Germany	2.26	2.24	(1)
Japan	0.93	0.93	(1)
China	2.21	2.21	0
India	6.85	6.81	(4)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	07-10-2024	08-10-2024	change in bps
Tbill-91 days	6.45	6.44	(1)
Tbill-182 days	6.54	6.53	(1)
Tbill-364 days	6.54	6.54	0
G-Sec 2Y	6.68	6.67	(1)
India OIS-2M	6.59	6.58	(1)
India OIS-9M	6.52	6.50	(2)
SONIA int rate benchmark	4.95	4.95	0
US SOFR	4.83	4.83	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	07-10-2024	08-10-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.6)	(1.6)	0
Reverse Repo	0.4	0.8	0.4
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	04-10-2024	07-10-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(1,092.0)	(1,616.2)	(524.2)
Debt	56.7	(648.4)	(705.1)
Equity	(1,148.7)	(967.8)	180.9
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, following the news of possible cease fire in the Middle East.

Fig 7 – Commodities

	07-10-2024	08-10-2024	% change
Brent crude (US\$/bbl)	80.9	77.2	(4.6)
Gold (US\$/ Troy Ounce)	2,642.6	2,621.8	(0.8)
Copper (US\$/ MT)	9,777.7	9,594.6	(1.9)
Zinc (US\$/MT)	3,150.7	3,065.3	(2.7)
Aluminium (US\$/MT)	2,658.0	2,571.0	(3.3)

Source: Bloomberg, Bank of Baroda Research



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