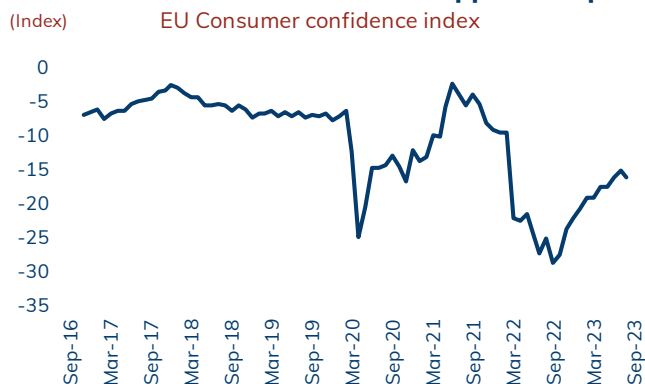


Euro-zone consumer confidence dropped in September



Source: CEIC, ICICI Bank Research

| Global Market roundup | | | | |
|-----------------------|---------------|-------|--------|------------|
| | Current level | Today | 1 mth | 1 Year Ago |
| Equities return (%) | | | | |
| Dow Jones | 34070 | (1.1) | (0.6) | 13.3 |
| FTSE | 7679 | (0.7) | 5.6 | 7.3 |
| Nikkei | 32310 | (0.8) | 1.4 | 19.0 |
| Hong Kong | 17773 | 0.7 | (0.1) | (2.1) |
| Sensex | 66230 | (0.9) | 1.5 | 12.0 |
| 10Y Bond yield | | | | |
| US | 4.50 | 0.8 | 17.8 | 78.9 |
| UK | 4.31 | 9.0 | (42.4) | 99.4 |
| Japan | 0.74 | 0.1 | 7.8 | 50.7 |
| India | 7.16 | (1.2) | (5.8) | (7.1) |
| Currencies return | | | | |
| DXY INDEX | 105.47 | 0.1 | 1.8 | (5.3) |
| EURUSD | 1.0652 | (0.1) | (1.8) | 8.3 |
| GBPUSD | 1.2285 | (0.1) | (3.5) | 9.1 |
| USDJPY | 147.73 | 0.1 | 1.3 | 3.8 |
| USDINR | 83.09 | 0.0 | (0.0) | 3.9 |
| Commodity return | | | | |
| BBG Industrial Metc | 141.8 | 1.0 | 0.7 | (6.6) |
| Brent | 93.8 | 0.5 | 11.6 | 3.7 |
| Gold | 1925.0 | 0.3 | 1.4 | 15.2 |

Source: Bloomberg, ICICI Bank Research

Key Developments:

- **JPMorgan Chase & Co. will add Indian government bonds to its benchmark emerging-market index. The index provider will add Indian securities to the JPMorgan Government Bond Index-Emerging Markets starting June 28, 2024. The South Asian nation will have a maximum weight of 10% on the index that will correspond to USD 21bn worth of inflows in a phased manner from June 2024 to March 2025 that could support the local bond market and the INR.**
- **The BoE maintained status quo for the first time in over 14 months keeping rates unchanged at 5.25% in response to strong evidence of weakening growth, deteriorating labour markets and falling inflation pressures. The MPC voted 5-4 for the action, although it maintained its tightening guidance. The Swiss National Bank also maintained status quo.**
- **The BoJ maintained status quo keeping rates at -0.1% and the YCC framework intact. Forward guidance was also kept unchanged.**
- **The Indian economy will grow at around 6.5% in the current fiscal, notwithstanding high crude oil prices and increased uncertainty due climate changes, said NITI Aayog member Arvind Virmani.**
- **India is on track to become a USD 5tn economy by 2027 and at present, there are no visible signs of overheating, said RBI Deputy Governor Michael Patra.**
- **Retail inflation for farm workers and rural labourers eased marginally to 7.37% YoY and 7.12% YoY respectively in August this year as compared to the previous month.**
- **Despite El Niño, monsoon in 'normal' range as predicted, as September's rainfall has been quite good with 9% above the normal benchmark rainfall so far in the month" IMD Chief Mohapatra said.**

Global Market Developments:

- **US:** Initial Jobless Claims fell to 201k on 16th September from 221k in the previous week. Existing Home Sales rose to -0.7% MoM in August from -2.2% MoM in the previous month.
- **JN:** National CPI rose to 3.2% YoY in August from 3% YoY in the previous month. National CPI Ex Fresh Food, Energy stayed constant at 4.3% YoY in August from 4.3% YoY in the previous month. Jibun Bank Japan PMI Manufacturing fell to 48.6 in September from 49.7 in the previous month. Jibun Bank Japan PMI Services fell to 53.3 in September from 54.3 in the previous month.
- **US stock markets traded lower yesterday: Dow Jones (-1.08%) and S&P 500 (-1.64%) closed in the red.**
- **Asian stock markets are trading largely lower this morning: Kospi (-0.33%), ASX-200 (-0.88%) and Nikkei (-1.03%) are trading in the red while Shanghai Composite Index (+0.18%), Hang Seng (+0.73%) are trading in the green.**
- **US treasuries are trading lower this morning: The 10 Yr. US yield is trading at 4.502% vs the previous close of 4.482%.**

Domestic market developments:

- **The Indian Rupee closed flat at 83.09 against the USD vs 83.08 in the previous session.**
- **Yield on the 10-year sovereign bond closed flat at 7.16% in the previous session.**

| | Remarks |
|-----------------------------------|---|
| DXY | The US dollar index (DXY) is trading higher at 105.20, by 0.14%. The hawkish pause by the FOMC, along with lower-than-expected jobless claims data continued to support the index. We expect the index to trade with an upside bias ahead of preliminary PMI data for the US that is due later today. |
| EUR/USD | The EUR/USD pair is trading lower at 1.0642, by 0.16% led by downbeat preliminary consumer confidence data for the EU, along with a stronger USD in today's session. We expect the pair to trade with a downside bias ahead of flash PMIs that should reinforce that the economy is slowing sharply. |
| GBP/USD | The GBP/USD pair is trading lower at 1.2276, by 0.15% in response to BoE's surprise decision to keep status quo on policy rate against expectations of a 25bps increase. This has raised bets that BoE has concluded with its rate hike cycle. In addition, a downward revision of UK growth forecast for this quarter by the BoE has also weighed on the GBP. Hence, we expect the pair to trade with a downside in the near-term. |
| USD/JPY | The USD/JPY pair is trading higher at 147.73, by 0.10% led by upbeat UST yields, with the upside limited by cautious sentiment ahead of the BoJ policy meeting due today. The pair will move in sync with the guidance that could get provided by the central bank. |
| USD/CNY | The USD/CNY pair is trading lower in today's session at 7.3071 by 0.09% in response to expectations of stability in the pair. People's Bank of China (PBOC) set the yuan (CNY) at 7.1729 vs the last close of 7.3066. |
| AUD/USD | The AUD/USD pair is trading flat in today's session at 0.6433 with upside capped by softer local PMI releases. Overall, we see a limited upside bias given that concerns local growth prospects are expected to remain in place. |
| USD/CAD | The USD/CAD pair is trading flat in today's session at 1.3475 as the higher-for-longer rate guidance underpinned the USD while higher oil prices supported the CAD. Canada's retail sales data that are due today might provide further guidance. |
| Indian Equities | The benchmark equity indices are likely to open lower after the Asian markets are trading lower following overnight losses on US equity market. We expect indices to trade lower tracking weakness in global peers amid worries over interest rate. |
| Indian Rupee | The announcement of the bond market inclusion in to the JP Morgan GBI-EM global series index could ensure that the USD/INR pair trades with a downside bias in the near-term. However, RBI intervention will likely continue to limit downside potential in the USD/INR pair. Elevated global crude prices could also work as a dampener. |
| India G-Sec | Government bond yields are likely to open sharply lower after IGB will be included in GBI-EM global series index. However, rising oil prices and liquidity deficit could keep downside at the shorter-end in check. Today, participants will enter in auction of INR 330bn where pressure will be from longer end curve. However, the impact of the bond market inclusion is likely to drive price action creating a bullish environment for local bond markets. Fund flows could pick-up on the announcement of the bond market inclusion. |
| Oil (Brent) (USD/bbl.) | Brent crude oil prices are trading higher after a sharp fall led by higher interest rate expectations. Russia announced a ban on fuel exports to stabilize fuel prices in the domestic market. US crude stocks at Cushing are at their lowest since July 2022 and OPEC+ maintains production cuts. The prices are expected to rise in the near term due to tighter supply concerns. |
| Gold (USD/oz.) | Gold prices rebounded as the dollar index became stronger and treasury yields rallied as the Fed warned of an additional rate hike. BoE also maintained the status quo in their monetary policy due to cooling inflationary pressures. Investors now look ahead to BoJ's update on monetary policy today, hoping for a possible end for negative rates. |

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