



marketbuzz



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On the global, U.S. equity markets fell due to persistent concerns that the U.S. Federal Reserve might lower interest rates at a more gradual rate than rapidly. The market fell further amid a negative reaction to earnings news from major tech giants. Losses were increased even more as a slightly faster than expected increase in U.S. core personal consumption expenditures (PCE) prices for the month of Sep 2024 may have contributed to growing apprehensions that the U.S. Federal Reserve will reduce interest rates at a slower pace than desired. European equity markets fell on concerns regarding ongoing tensions in the Middle East, coupled with uncertainty surrounding the results of the upcoming U.S. presidential election, had a slight negative impact on stock performance. The market sentiment was adversely affected by the disappointing preliminary reports of private sector activity from the Eurozone and the U.K. for the month of Oct 2024. Asian equity markets closed on a mixed note. The Japanese markets experienced an uptick, fueled by optimism regarding robust earnings, following the announcement from a Fast-Retailing company, which issued a net profit forecast for the current business year that exceeded expectations. However, gains were restricted as a sense of caution permeated various regions in Asia, influenced by the mixed financial results from U.S. technology firms, ongoing tensions in the Middle East, and the uncertainty surrounding the upcoming U.S. presidential elections on 5th Nov, 2024.

Back home, domestic equity markets fell amid a broad-based sell-off across the sectors as fears of a full-fledged war between Iran and Israel dented investors' appetite for riskier assets on expectations of a significant retaliatory attack by Israel following Iran's missile strikes. Losses were extended as sentiment was dented following muted earnings reported by major domestic companies for the second quarter of FY25 so far.

In the domestic debt market, bond yields rose tracking a rise in U.S. Treasury yields and global crude oil prices over an escalating conflict in the Middle East following Iran's missile strikes on Israel. Losses were extended after U.S. retail sales rose sequentially in Sep 2024, dampening expectations of an aggressive interest rate cut by the U.S. Federal Reserve.

[Outlook](#)

Going forward, earnings growth of domestic corporates is expected to be better given the foundation for the second half of FY 25 and FY26. A revival of demand is necessary for additional earnings growth, given the indications of a slowdown in consumption, especially in the FMCG sectors. From a global perspective, in addition to any measures taken by the U.S. Federal Reserve, the result of the U.S. presidential election and the incoming macro data in the U.S. would also be important. Additionally, the latest developments in the Middle East regarding geopolitical tensions between Israel and Iran will be closely monitored for further guidance. There is a possibility of some outflows by foreign portfolio investors (FPIs) from domestic equity markets to emerging market like China following the recent economic stimulus; however, domestic flows are expected to counterbalance to FPI outflows.

Moving ahead, market participants are expecting a rate cut of 25 bps by the RBI, though it remains to be seen whether it would be in the upcoming Dec 2024 Monetary Policy Committee meeting, or the central bank would remain cautious and wait for more data till Feb 2025 policy meeting. The domestic retail inflation print of Oct 2024 will be crucial in determining whether higher inflation might push RBI rate cuts into 2025. Globally, market participants will closely watch the U.S. Presidential election, scheduled on Nov 5, 2024, along with upcoming U.S. labour and CPI inflation data to get further cues of interest rate trajectory by the U.S. Federal Reserve.

We are pleased to bring to you the latest version of the Monthly Market Buzz for October. Happy Reading!!!

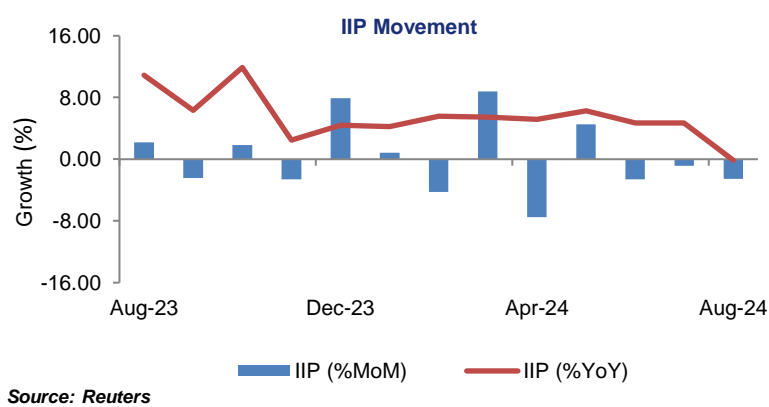
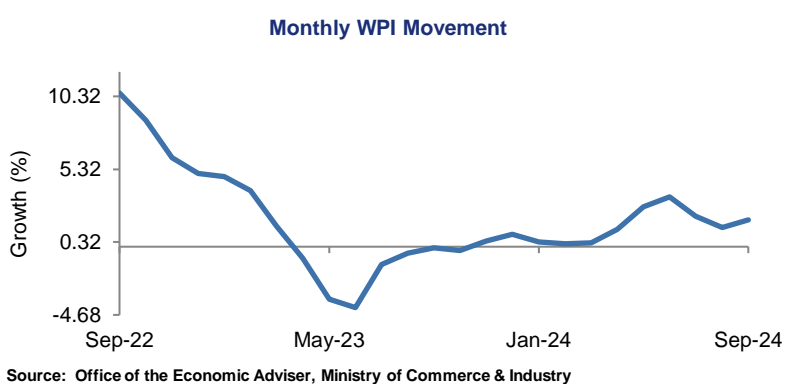
Deepak Gaddhyan
Head – Retail Liabilities & Wealth Management



INDIAN ECONOMY

Economic Releases in October-2024			
Key Indicator	Period	Actual	Previous
Repo Rate	Oct-24	6.50%	6.50%
Reverse Repo	Oct-24	3.35%	3.35%
CRR	Oct-24	4.50%	4.50%
Index of Industrial Production (IIP)	Aug-24	-0.10%	4.70%
Wholesale Price Index Inflation(WPI)	Sep-24	1.84%	1.31%
Export (Y-o-Y)	Sep-24	0.32%	-9.33%
Import (Y-o-Y)	Sep-24	2.82%	3.31%

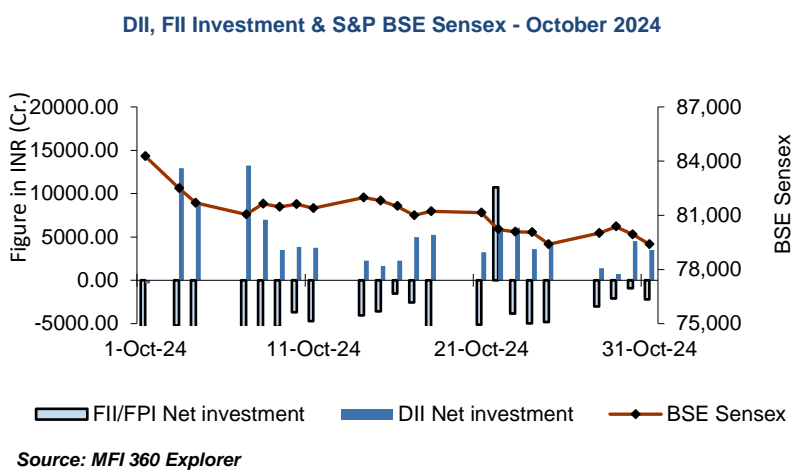
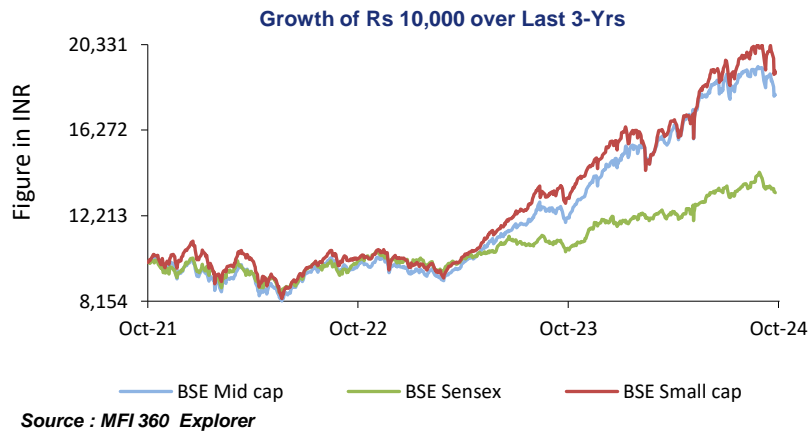
Source: RBI, Refinitiv



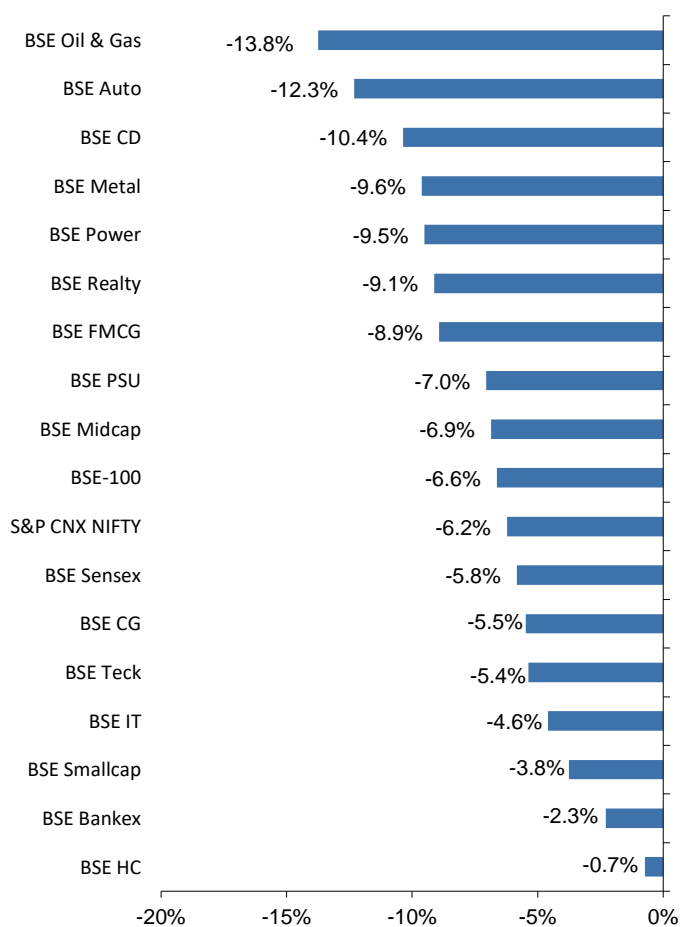
- The consumer price index-based inflation surged to 5.49% YoY in Sep 2024 compared to 3.65% in Aug 2024. It was the highest inflation rate since the start of the year, overshooting the RBI's target of 4% after dropping below the threshold in the first two months of Q2FY25. The increase in inflation is attributed to the ongoing rise in vegetable prices.
- India's wholesale price index (WPI) based inflation increased by 1.84% YoY in Sep 2024 as compared to 1.31% in Aug 2024. The positive rate of inflation in Sep 2024 was primarily due to increase in prices of food articles, food products, other manufacturing, manufacture of motor vehicles, trailers & semi-trailers, manufacture of machinery & equipment, etc.
- Index of Industrial production (IIP) contracted 0.1% YoY in Aug 2024, as compared to a 4.7% rise in Jul 2024. Production in mining and electricity decreased by 4.3% and 3.7%, respectively, while manufacturing witnessed a growth of 1% in Aug 2024.
- Government data showed that India's fiscal deficit for the period from Apr to Sep of FY25 stood at Rs. 4.75 lakh crore or 29.4% of the Budget Estimates (BE) of the current fiscal. India's fiscal deficit was at 39.3% of the BE in the corresponding period of the previous fiscal year. Total expenditure stood at Rs. 21.1 lakh crore or 43.8% of the BE as compared to 47.1% of the BE in the corresponding period of the previous fiscal year.

- The RBI has increased its scrutiny of gold loans following a notable increase in these loans from banks and non-banking finance companies. The central bank's intervention comes amid concerns over potential bad debts within the sector, driven by a staggering 41% YoY increase in gold loans as of Aug 2024. The total amount of gold loans held by banks as of the end of Aug 2024 was Rs. 1.4 lakh crore, indicating a growing trend of using gold as security for loans.
- SEBI has approved the implementation of the MF Lite framework specifically designed for passively managed schemes. This framework simplifies the eligibility criteria for sponsors and lowers compliance obligations. Current AMCs are permitted to manage active and passive schemes independently. The newly established regulations are intended to attract new participants, improve market liquidity, and promote innovation within the mutual fund industry.
- SEBI stated that Registered Investment Advisors (RIAs) are permitted to handle only those securities market products that fall under its regulation. As a result, RIAs cannot provide additional services like estate planning, will preparation, and tax planning, which are important for a full financial plan. In its proposed regulations, the market regulator suggested that RIAs could work with unregulated products only if they create a separate company and keep it distinct from their main operations.

Indian Equity Market



Monthly returns as on October 31 2024



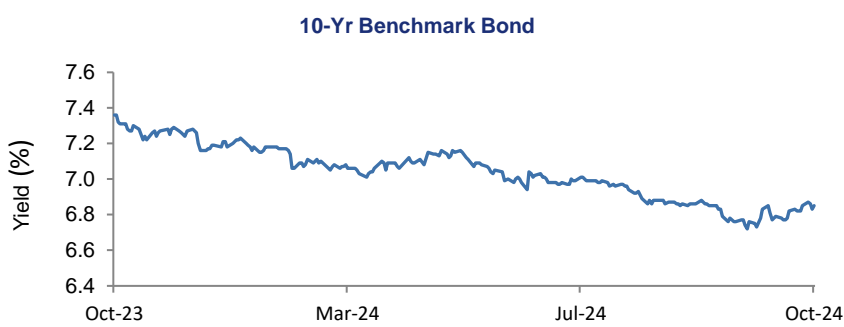
Source: MFI 360 Explorer

- Domestic equity markets started the month on weaker note as broad-based sell-off was witnessed across the sectors as fears of a full-fledged war between Iran and Israel dented investors' appetite for riskier assets. Sentiment was dampened following the SEBI's new rules for derivatives trading, including raising the entry barrier by increasing the contract size and upfront collection of options premium.
- Additionally, an upward revision of inflation in Q3 FY25 by the RBI reiterates that the sticky inflation continues to remain a concern for the central bank, leading to further losses.
- However, losses were restricted after the RBI, in its monetary policy meeting concluded on Oct 9, 2024, kept the repo rate unchanged at 6.50% for the tenth consecutive time, and shifted its stance from 'withdrawal of accommodation' to 'neutral', paving the way for potential rate cuts in the future.
- Meanwhile, markets fell as sentiment was dented following muted earnings reported by major domestic companies for the second quarter of FY25 so far. Losses were extended due to persistent selling by foreign portfolio investors in domestic markets and subsequent transfer of funds to China following Beijing's announcement of various stimulus plans to accelerate economic expansion.
- However, losses were restricted towards the end of the month following an ease in global crude oil prices as concerns regarding tensions in the Middle East subsided.
- On the BSE sectoral front, BSE Oil & Gas slid 13.75% led by oil marketing companies (OMCs) following the disappointing second quarter results due to inventory losses along with weaker refining and marketing margins. BSE Auto declined 12.30% following the sales data of Sep 2024, which pointed out that the start of the festive season for automobile companies remained weaker. BSE Metal plunged 9.62% after China fails to introduce new stimulus measures. Investors were expecting China to announce significant fiscal support, including trillions of yuan in bond issuances and initiatives to stimulate consumption. However, the Chinese government instead unveiled a modest investment plan of CNY 100 billion for 2025.

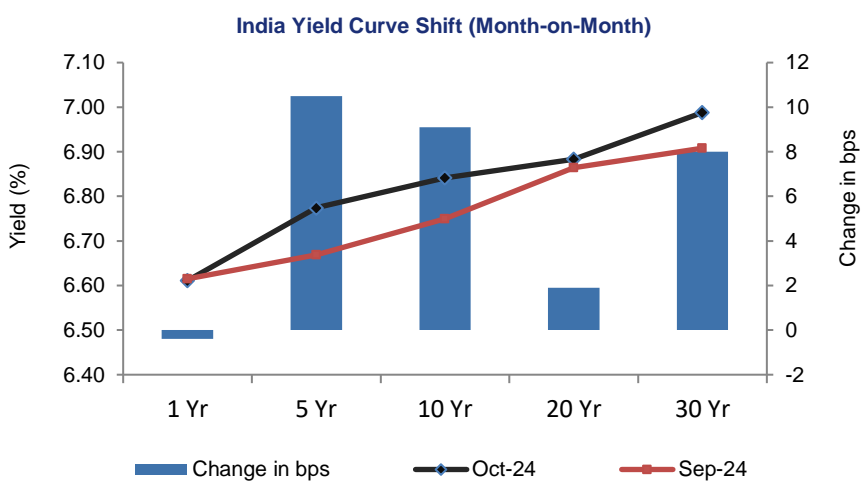
Indian Fixed Income

Indicators (Yield %)	October 31, 2024	September 30, 2024
Call Rate	6.44%	6.68%
FBIL 1 Mn Term Mibor	7.10%	7.11%
10-Yr benchmark bond	6.85%	6.75%
Reverse Repo	3.35%	3.35%
Repo	6.50%	6.50%
Bank Rate	6.75%	6.75%
CRR	4.50%	4.50%

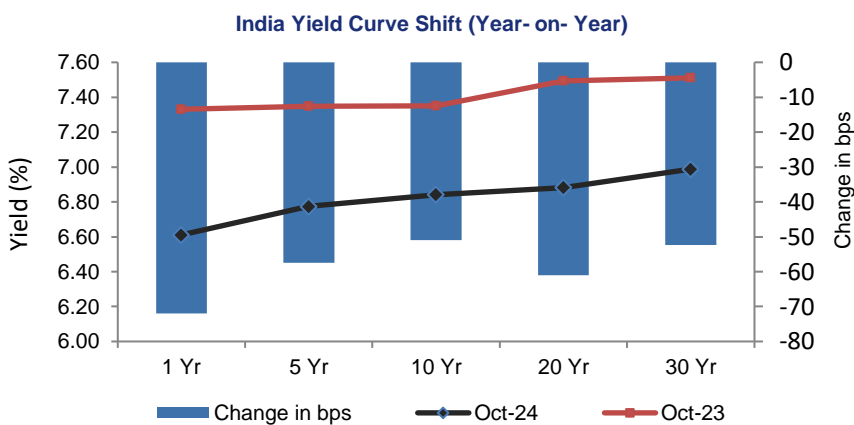
Source: Refinitiv



Source: CCIL



Source: Refinitiv



Source: Refinitiv

- Bond yields rose tracking a rise in U.S. Treasury yields and global crude oil prices over an escalating conflict in the Middle East following Iran's missile strikes on Israel. Losses were extended after U.S. retail sales rose sequentially in Sep 2024, dampening expectations of an aggressive interest rate cut by the U.S. Federal Reserve. However, losses were limited following the RBI's decision to shift its stance from withdrawal of accommodation to neutral, in its monetary policy meeting concluded on Oct 9, 2024, but the comments by the RBI governor that a rate cut at this point would be "very premature", weighed on sentiment. The announcement of inclusion of India's sovereign bonds in the FTSE Russell Emerging Market Government Bond Index in Sep 2025 by FTSE Russell, further restricted the losses.

- Yield on the 10-year benchmark paper (7.10% GS 2034) rose by 10 bps to close at 6.85%, compared with the previous month's close of 6.75%.

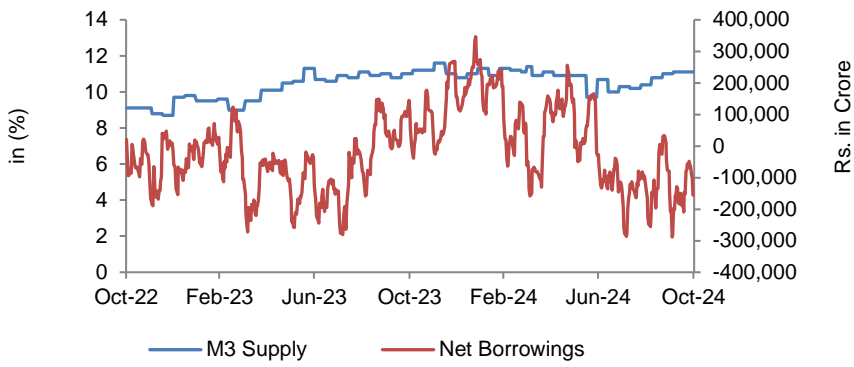
- Bond yields surged initially tracking the rise in U.S. Treasury yields and crude oil prices over an escalating conflict in the Middle East following Iran's missile strikes on Israel.

- Losses were limited following the RBI's decision to shift its stance from withdrawal of accommodation to neutral, in its monetary policy meeting concluded on Oct 9, 2024. The announcement of inclusion of India's sovereign bonds in the FTSE Russell Emerging Market Government Bond Index in Sep 2025 by FTSE Russell, further restricted the losses.

- Meanwhile, yields rose tracking a rise in U.S. Treasury yields after U.S. retail sales rose sequentially in Sep 2024, dampening expectations of an aggressive interest rate cut by the U.S. Federal Reserve.

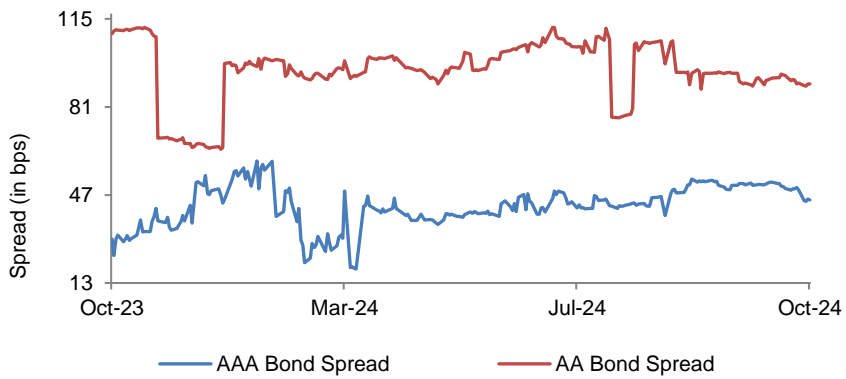
- Losses were extended as the possibility of a rate cut in Dec 2024 reduced following the comments by the RBI governor that a rate cut at this point would be "very premature". However, losses were restricted following the media reports that the central government may reduce borrowing via debt sale.

Liquidity Monitor- M3 Supply and Net Borrowings



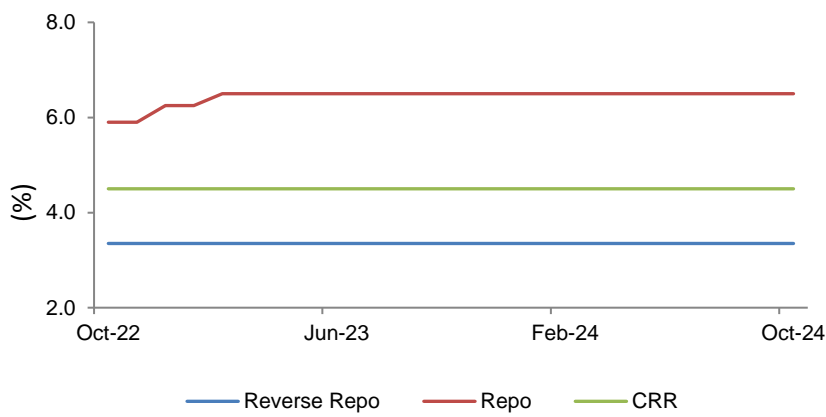
Source: Refinitiv

10 Year Corporate Bond Spread (for AAA & AA bonds)



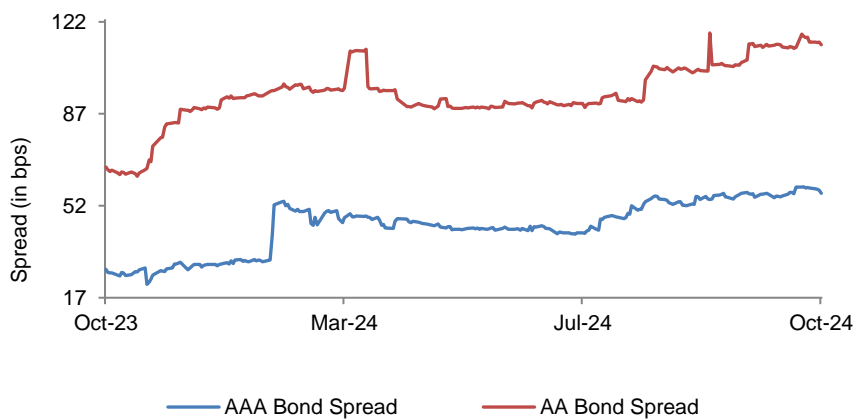
Source: Refinitiv

Movements of Key Policy Rates in India



Source: RBI

5 Year Corporate Bond Spread (for AAA & AA bonds)



Source: Refinitiv

- The central bank of India conducted auctions of 91-, 182- and 364-days Treasury Bills for a notified amount of Rs. 95,000 crore in Oct 2024, compared to Rs. 40,000 crore in the previous month. The average cut-off yield of 91-, 182- and 364-days Treasury Bills stood at 6.46%, 6.57% and 6.56%, respectively, during the month under review compared with the average yield of 6.64%, 6.72% and 6.71%, respectively in the previous month.
- The RBI also conducted auction of state development loans (SDL) for a total notified amount of Rs. 84,842 crore (full amount was accepted), which is lower than the scheduled amount of Rs. 1,12,037 crore during Oct 2024. The average cut-off yield of 10-year SDL fell to 7.12% during Oct 2024 from 7.16% in the previous month.
- In addition, the RBI also conducted auction of government securities for a notified amount of Rs. 1,33,000 crore in Oct 2024, for which full amount was accepted with no devolvement on primary dealers.
- Yield on 5-year gilt paper & 10-year paper rose by 11 & 9 bps, respectively. Yield on 5-year & 10-year corporate bonds increased by 11 & 3 bps, respectively. Difference in spread between corporate bond and gilt securities remained steady on 5-year paper and contracted by 7 bps on 10-year paper.

GLOBAL EQUITY MARKET

Performance of Major International Markets (as on October 31, 2024)		
Indices	Country	1 Mth (%)
United States		
Nasdaq 100	U.S.	-0.85
Nasdaq Composite	U.S.	-0.52
Asia Pacific		
SET Composite Index	Thailand	0.01
Jakarta Composite	Indonesia	0.01
Straits Times Index	Singapore	-0.74
KOSPI Index	South Korea	-0.01
Nikkei Stock Average 225	Japan	3.06
Taiwan SE Weighted Index	Taiwan	0.03
Shanghai Composite Index	China	-1.70
BSE Sensex	India	-5.83
S&P/ASX 200	Australia	-0.01
Europe		
FTSE 100	U.K.	-1.54
CAC 40	France	-3.74
DAX Index	Germany	-1.28

Source: MFI 360 Explorer & Refinitiv

United States

- U.S. equity markets fell due to persistent concerns that the U.S. Federal Reserve might lower interest rates at a more gradual rate than rapidly. The market fell further amid a negative reaction to earnings news from major tech giants. The market sentiment hit after U.S. consumer prices sequentially rose by slightly more than expected in Sep 2024.

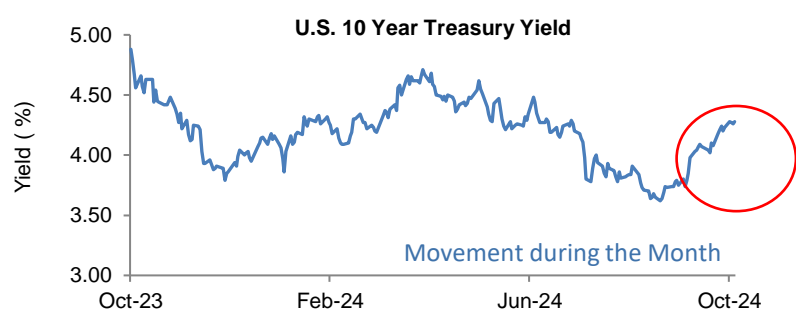
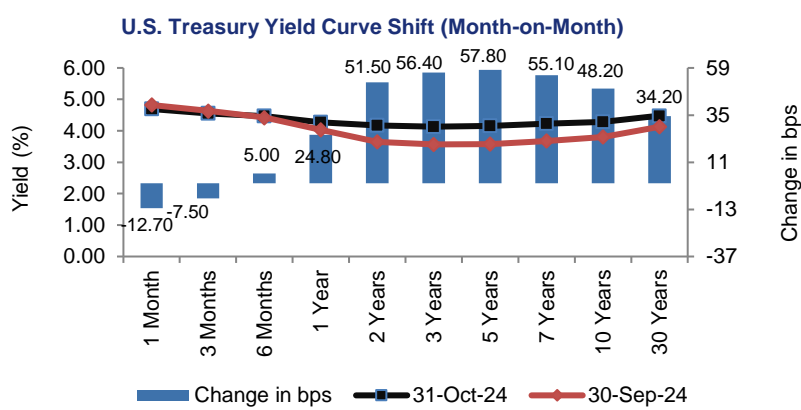
Europe

- European equity markets fell on concerns regarding ongoing tensions in the Middle East, coupled with uncertainty surrounding the results of the upcoming U.S. presidential election, had a slight negative impact on stock performance. The market sentiment was adversely affected by the disappointing preliminary reports of private sector activity from the Eurozone and the U.K. for the month of Oct 2024.

Asia

- Asian equity markets closed on a mixed note. The market rose after strong U.S. nonfarm payrolls for the month of Sep 2024 indicated economic strength, leading investors to reduce their expectations for interest rate cuts by the U.S. Federal Reserve in upcoming months. However, gains were restricted due to ongoing tensions in the Middle East, and the uncertainty surrounding the upcoming U.S. presidential elections on 5th Nov, 2024.

GLOBAL FIXED INCOME - U.S. TREASURY

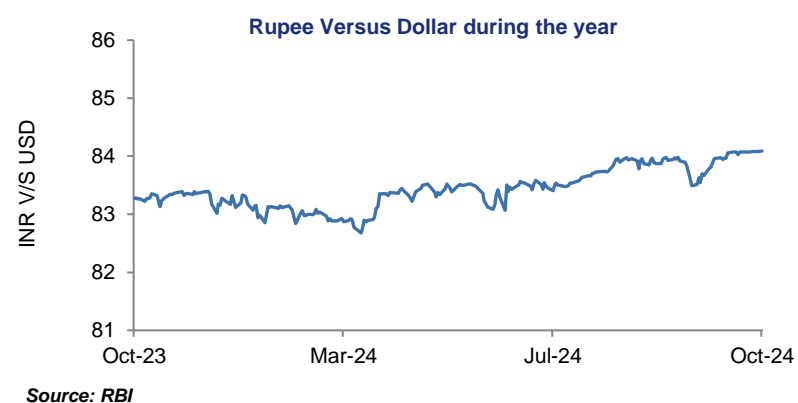


- Yields on the 10-year U.S. Treasury rose by 48 bps to close at 4.28% from the previous month's close of 3.80%.
- U.S. Treasury prices fell after an unexpectedly robust employment report for Sep 2024 diminished the likelihood of significant interest rate reductions during the U.S. Federal Reserve's last two meetings of the year.
- U.S. Treasury prices fell amid increasing uncertainty regarding the U.S. presidential election scheduled for 5th Nov, 2024, and as investors are adjusting their expectations to reflect the possibility of a less dovish U.S. Federal Reserve policy.
- Further, prices fell following the U.S. retail sales data in Sep 2024, which has indicated that the economy is on a stable foundation.
- However, losses were restricted following a consistent reading of producer prices in Sep 2024 that has shown a downward trend, along with a consumer sentiment report that supports the likelihood of an interest rate reduction by the U.S. Federal Reserve during next monetary policy meeting.

CURRENCY

Movement of Major Currencies (as on October 31, 2024)				
Currency	Value (as on 31-Oct-2024)	1 Mth	3 Mth	1 Yr
U.S. Dollar	84.09	83.79	83.74	83.27
Pound Sterling	108.95	112.16	107.55	101.16
Euro	91.25	93.53	90.62	88.32
Yen (Per Rs.100)	55.00	59.00	55.00	55.00

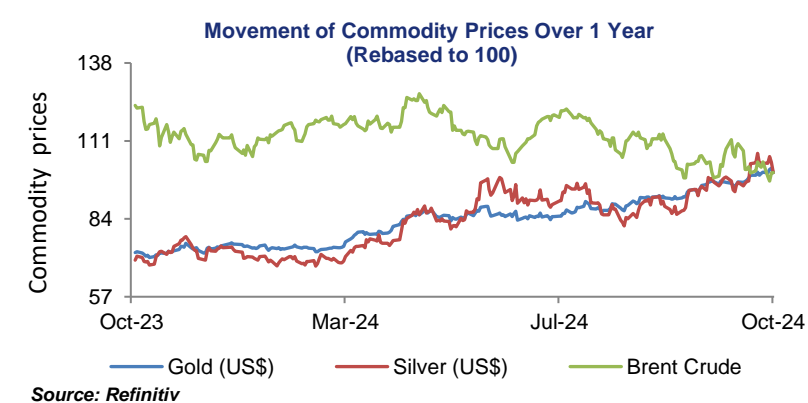
Source: RBI



COMMODITIES

Performance of Various Commodities					
Commodities	Last Closing (31-Oct-24)	Returns (in %)			
		1 Wk	1 Mth	6 Mth	1 Yr
Crude Brent (\$/Barrel)	73.89	-1.89	1.23	-17.32	-20.02
Gold (\$/Oz)	2743.80	0.30	4.15	20.05	38.39
Gold (Rs/10 gm)	79181.00	1.52	5.50	10.32	29.63
Silver (\$/Oz)	32.65	-3.13	4.82	24.24	42.58
Silver (Rs/Kg)	96548.00	-1.26	7.83	20.56	34.12

Source: Refinitiv



INR

- Rupee fell against the U.S. dollar due to weakness in its regional peers and likely outflows from domestic equities ahead of the U.S. presidential election. Additionally, prices declined due to rising concerns regarding increasing tensions in the Middle East. Falls in most Asian currencies also impacted rupee prices. Further, prices fell due to strong greenback demand. However, losses were restricted because of suspected intervention by the Reserve Bank of India.

EURO

- Euro fell against the U.S. dollar after U.S. consumer prices sequentially rose more than expected in Sep 2024. Prices fell following the release of data indicated that U.S. retail sales rose slightly above expectations in Sep 2024, there is an enhanced sense of confidence in the resilience of the U.S. economy. However, losses were restricted following a stronger-than-anticipated growth report for the eurozone in the third quarter of 2024, expectations for rate cuts by the European Central Bank have been moderated.

Crude

- Brent crude oil prices rose on concerns that a wider Middle East conflict could disrupt global energy shipments. Further, prices rose amid lingering Middle East tensions and expectations of higher demand for fuel in response to Hurricane Milton. Gains were increased even more amid worries about potential disruptions to supply. However, gains were restricted by concerns about the outlook for demand from China after data revealed that in the third quarter of 2024, China's economy, the second largest in the world, experienced its slowest growth rate since the beginning of 2023. Further, prices fell on concerns about supply disruptions faded after Israel avoided hitting Iranian oil facilities and targeted only military and industrial targets.

Gold

- Gold prices rose amid persisting worries about geopolitical tensions and continued uncertainty about the global economic outlook, and the upcoming U.S. elections. Furthermore, prices rose as safe haven buying ahead of the upcoming U.S. presidential election. However, gains were restricted after recent data indicated significantly lower than anticipated growth in China's exports and imports for Sep 2024, coupled with disappointment regarding a highly anticipated stimulus announcement from China, which also negatively impacted the price of the yellow metal.

Contact Details

Registered Office

RBL Bank Limited
1st Lane, Shahupuri, Kolhapur - 416001. Maharashtra State.
Ph. : 0231 2656831/2653006

Corporate Office

RBL Bank Limited
One India Bulls Center, Tower 2, 6th Floor, 841, Senapati Bapat Marg,
Lower Parel, Mumbai 400013
Ph. : 022 43020600

All information mentioned in this document pertains to the month ended October 31, 2024.

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