



marketbuzz



CONTENT

INDIAN ECONOMY	1
INDIAN EQUITY MARKET	2
INDIAN FIXED INCOME	3
GLOBAL EQUITY MARKET	5
GLOBAL FIXED INCOME	5
CURRENCY	6
COMMODITY	6

[View from the Top](#)

On the global, U.S. equity markets rose amid optimism about the outlook for the economy following the U.S. Federal Reserve's interest rate cut on 18th Sep, 2024. It is expected that the U.S. Federal Reserve will continue to reduce interest rates in the coming months, as signs of easing inflation become apparent, even though the economy remains in a relatively strong state. European equity markets closed on a mixed note. The market rose after the Bank of England decided on 19th Sep, 2024 to keep interest rates steady and was likewise absorbed by investors. In upcoming decisions, the Bank of England hinted at a gradual approach to monetary easing which further added to the gains. However, gains were restricted amid concerns about the health of the world's largest economy, the U.S., following unsatisfactory employment data. Asian equity markets closed on a mixed note. The Chinese and Hong Kong markets surged following China's central bank announcement of its most significant stimulus package since the pandemic to support the economy and address the ongoing challenges in the property sector. However, the Japanese market fell after Japan's newly established ruling party voiced its endorsement of the Bank of Japan's decision to increase interest rates from their historically low levels.

Back home, domestic equity markets started the month on weaker note amid weak global cues as sentiment was dampened following weak U.S. manufacturing data of Aug 2024, which reignited concerns over an economic slowdown in the world's largest economy. However, the trend reversed, as sentiment was boosted following comfortable consumer inflation rate in the U.S. which grew 0.2% MoM in Aug 2024 that raised the optimism of rate cut by the U.S. Federal Reserve in its Sep 2024 meeting. Gains were extended following the news that China is expected to cut rates by 50 bps on \$5 trillion mortgages to boost demand in real estate and commodity markets.

In the domestic debt market, bond yields fell after the U.S. Federal Reserve kicked off its interest rate cut cycle, with a significant reduction of 50 basis points. Yields fell further driven by global interest rate changes and increased demand due to government bond being added to a global index.

[Outlook](#)

Going forward, corporate earnings of second quarter of FY25, commentary from the management and festive demand will be the key factors for the domestic market performance in the medium term. Any surprise measures taken by the capital market regulator SEBI can impact the short-term performance of domestic equity markets and can see short-term outflows. From a global perspective apart from any actions by the U.S. Federal Reserve, the outcome of U.S. Presidential elections would also matter, as well as the incoming macro data in the U.S. However, the cut in interest rates by major global central banks and fall in U.S. Dollar will drive long-term FII inflows into Indian equities. The monthly SIP flows and liquidity will also continue to drive the markets.

The debt markets continue to have a favourable outlook in the medium-term. The U.S. Federal Reserve along with most of the large systematically important central banks except the Bank of Japan have started the rate easing cycle in 2024 and the RBI is likely to join sooner or later. The monsoon has remained healthy, and inflation is trending downward, so the RBI is expected to begin a rate-cutting cycle by Dec 2024 or Feb 2025. Foreign Portfolio Investors continue to pour money in Indian government securities post its inclusion in the JP Morgan Index and as the weightage rises, the demand of domestic sovereign bonds is expected to go up among investors worldwide.

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

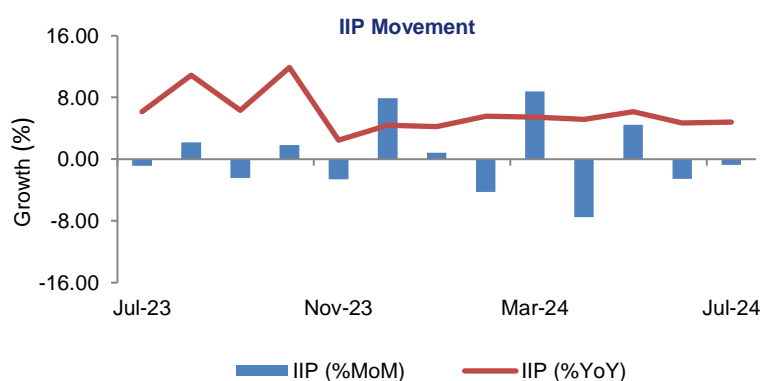
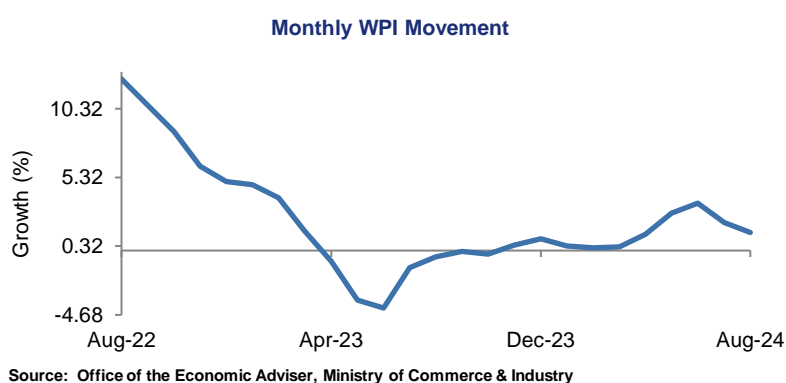
Deepak Gaddhyan
Head – Retail Liabilities & Wealth Management



INDIAN ECONOMY

Economic Releases in September-2024			
Key Indicator	Period	Actual	Previous
Repo Rate	Sep-24	6.50%	6.50%
Reverse Repo	Sep-24	3.35%	3.35%
CRR	Sep-24	4.50%	4.50%
Index of Industrial Production (IIP)	Jul-24	4.80%	4.70%
Wholesale Price Index Inflation(WPI)	Aug-24	1.31%	2.04%
Export (Y-o-Y)	Aug-24	-9.33%	-1.48%
Import (Y-o-Y)	Aug-24	3.31%	7.46%

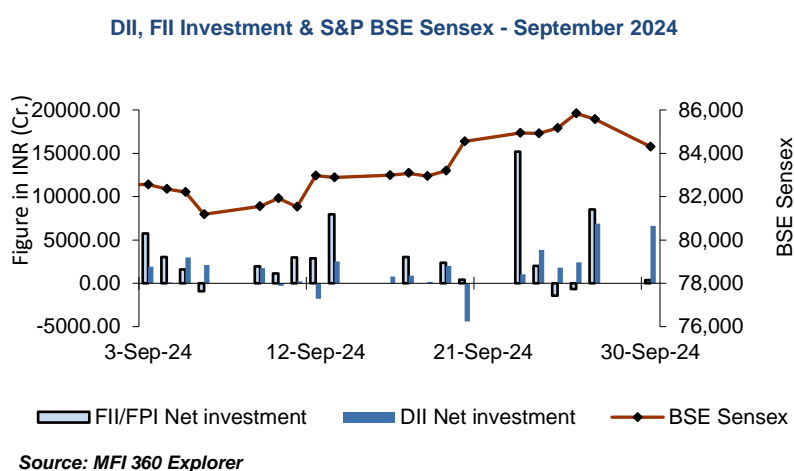
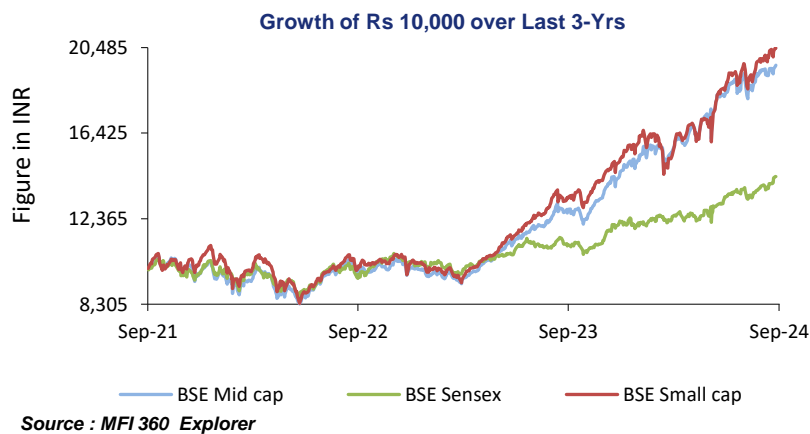
Source: RBI, Refinitiv



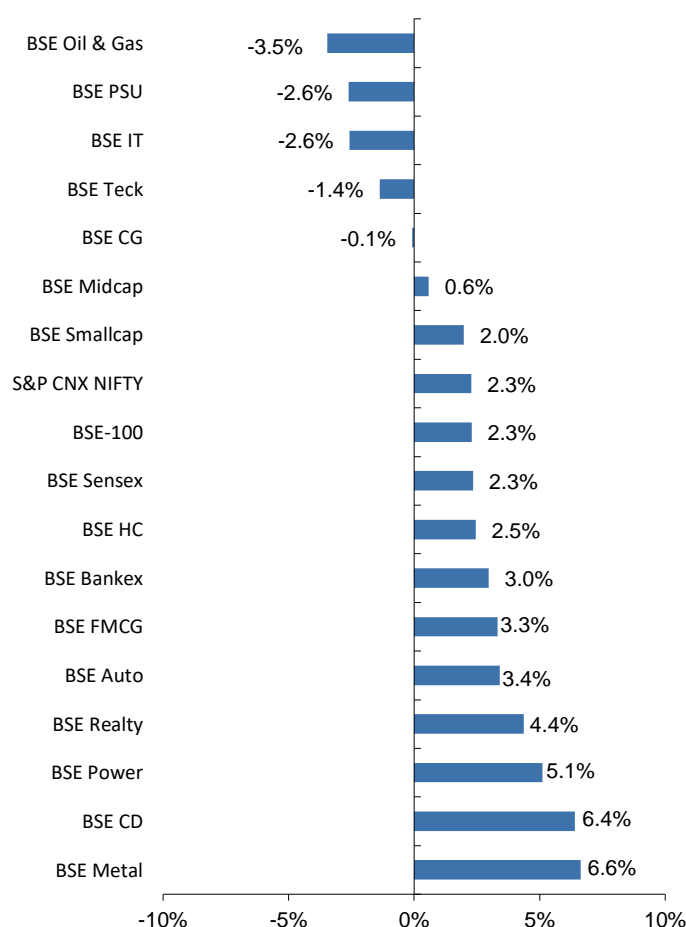
- The consumer price index-based inflation increased marginally to 3.65% YoY in Aug 2024 compared to 3.60% in Jul 2024. The inflation rate remained below the RBI's medium-term target of 4% for the second time since Aug 2019. Consumer food price inflation rose to 5.66% YoY in Aug 2024 from 5.42% in Jul 2024.
- Industrial production growth in India (IIP) increased to 4.8% YoY in Jul 2024, as compared to 4.7% in Jun 2024. Production in the manufacturing industry increased by 4.6%, mining by 3.7% and electricity by 7.9% in Jul 2024.
- India's wholesale price index (WPI) based inflation eased to 4-month low of 1.31% YoY in Aug 2024 as compared to 2.04% in Jul 2024. The positive rate of inflation in Aug 2024 was primarily due to an increase in prices of food articles, processed food products, other manufacturing, manufacture of textiles and manufacture of machinery & equipment etc.
- India's current account deficit (CAD) widened marginally to US\$ 9.7 billion (1.1% of GDP) in Q1 FY25 from US\$ 8.9 billion (1.0% of GDP) in Q1 FY24 and against a surplus of US\$ 4.6 billion (0.5% of GDP) in Q4 FY24. The widening of CAD on a YoY basis was primarily due to a rise in merchandise trade deficit to US\$ 65.1 billion in Q1 FY25 from US\$ 56.7 billion in Q1 FY24.

- RBI is set to launch a 'unified lending interface' to enhance digital payments in lending. This initiative is designed to make it easier for farmers and small businesses to get credit. However, there are concerns about how this might affect household debt, which is already increasing.
- SEBI has proposed the incorporation of investments in Alternative Investment Funds (AIFs), Real Estate Investment Trusts (REITs), and Infrastructure Investment Trusts (InvITs) into the data released by the RBI and the Ministry of Statistics and Programme Implementation (MoSPI) regarding household savings derived from various segments. The regulator aims to fully capture the savings of households through the Indian security markets.
- IRDAI has instructed insurance companies to add a search feature on their websites, which will help potential customers to check the reliability of the distribution channels associated to the insurer. IRDAI has also proposed an option for prospects or policyholders to find distribution channels in their area for buying insurance policies and managing leads. Additionally, the insurance regulator also instructed the financial institution engaged in distribution of insurance not to make it compulsory to sell insurance policies at the time of disbursement of loans.
- The GST Council announced significant tax cuts aimed at making essential goods and services cheaper. Major changes included reducing GST on cancer medications to 5%, a reduction in taxes on fried snacks to 12%, and lower taxes on shared helicopter rides to 5%. Additionally, the Council exempted R&D activities from GST and postponed decisions regarding insurance and compensation cess.

Indian Equity Market



Monthly returns as on September 30 2024



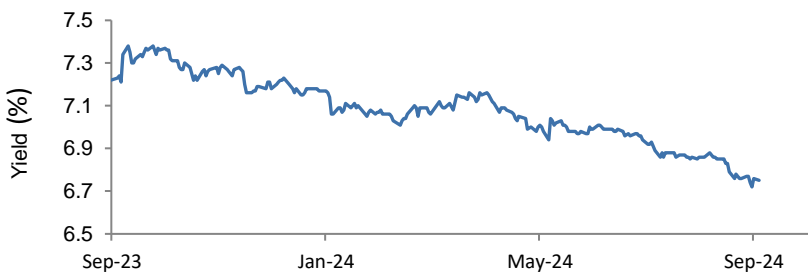
- Domestic equity markets started the month on weaker note amid weak global cues as sentiment was dampened following weak U.S. manufacturing data of Aug 2024, which reignited concerns over an economic slowdown in the world's largest economy.
- However, the trend reversed, as sentiment was boosted following comfortable consumer inflation rate in the U.S. which grew 0.2% MoM in Aug 2024 that raised the optimism of rate cut by the U.S. Federal Reserve in its Sep 2024 meeting. Gains were extended following the news that China is expected to cut rates by 50 bps on \$5 trillion mortgages to boost demand in real estate and commodity markets. Markets rose further as investors reacted positively to the U.S. Federal Reserve's decision to cut interest rate by 50 bps, signalling further easing in coming months to keep the labour market from slowing too much. Sentiment was boosted following China's recent economic stimulus announcement, resulting in significant positive momentum, especially in the metal sector.
- Gains were further extended following a sharp drop in global crude oil prices after reports emerged that the OPEC member Saudi Arabia was prepared to pump more oil to regain market share. However, gains were limited as investors expected the Bank of Japan to raise interest rates from their near-zero levels, which would in turn lead to a stronger Yen under the government of Japan's newly appointed prime minister.
- On the BSE sectoral front, BSE Metal rallied 6.63% after the People's Bank of China cut the reserve requirement ratio for banks by 50 bps and lowered key interest rate in an effort to support the country's faltering economy. China remains the largest consumer of commodities in the world and a stronger demand from China can lift up global demand and prices too. BSE consumer durables gained 6.40% ahead of the festive season on expectations of an increase in consumer spending on durable goods like electronics and home appliances. Jewellery stocks also witnessed significant rise as gold reached record highs on expectation of rate cuts by the central banks amid easing inflation. BSE Power rose 5.11% as analysts are expecting that pick up in rural economy led by better monsoon would lift power demand.

Indian Fixed Income

Indicators (Yield %)	September 30, 2024	August 30, 2024
Call Rate	6.68%	6.71%
FBIL 1 Mn Term Mibor	7.11%	7.10%
10-Yr benchmark bond	6.75%	6.86%
Reverse Repo	3.35%	3.35%
Repo	6.50%	6.50%
Bank Rate	6.75%	6.75%
CRR	4.50%	4.50%

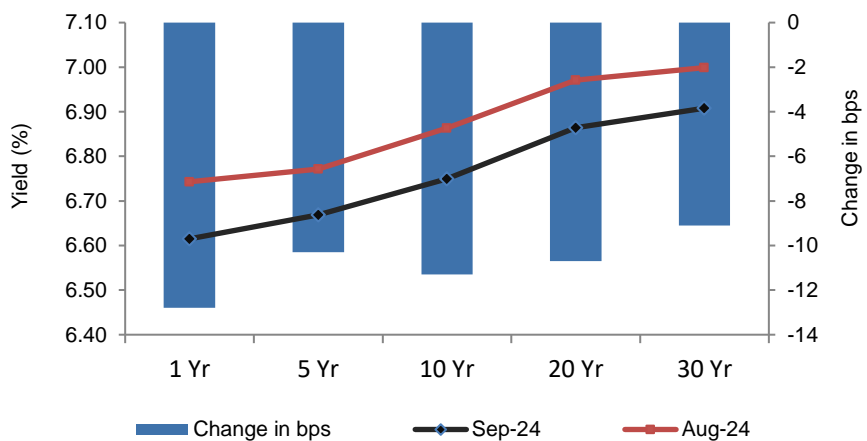
Source: Refinitiv

10-Yr Benchmark Bond



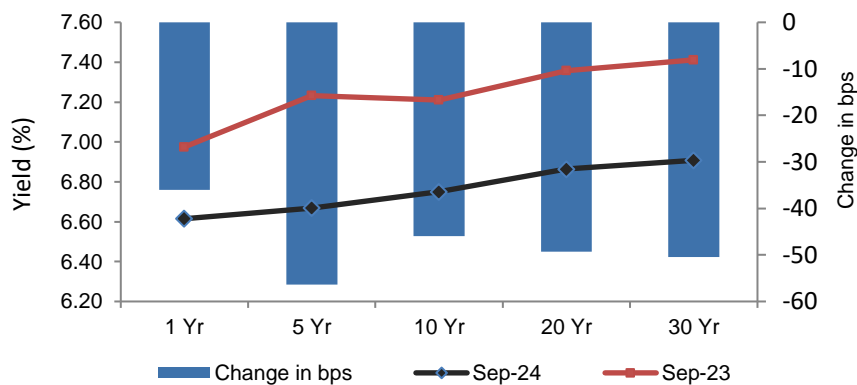
Source: CCIL

India Yield Curve Shift (Month-on-Month)



Source: Refinitiv

India Yield Curve Shift (Year-on-Year)



Source: Refinitiv

- Bond yields fell after the U.S. Federal Reserve kicked off its interest rate cut cycle, with a significant reduction of 50 basis points. Yields fell further driven by global interest rate changes and increased demand due to government bond being added to a global index. Gains were extended after the report suggested a likely rate cut on mortgages by China to boost consumption. However, gains were limited after the central government upheld its borrowing plan as budgeted, defying the market participants' expectations of a reduction. The central government has retained its gross market borrowing target of Rs. 14.01 lakh crore budgeted for FY25 and planned to raise Rs. 6.61 lakh crore through auction of dated securities during Oct to Mar period of this fiscal.

- Yield on the 10-year benchmark paper (7.10% GS 2034) fell by 11 bps to close at 6.75%, compared with the previous month's close of 6.86%.

- Bond yields edged lower tracking fall in U.S. Treasury yields as expectations grew for a significant rate cut from the U.S. Federal Reserve in Sep 2024. Sentiment was boosted on expectations of rate cuts by major central banks around the world.

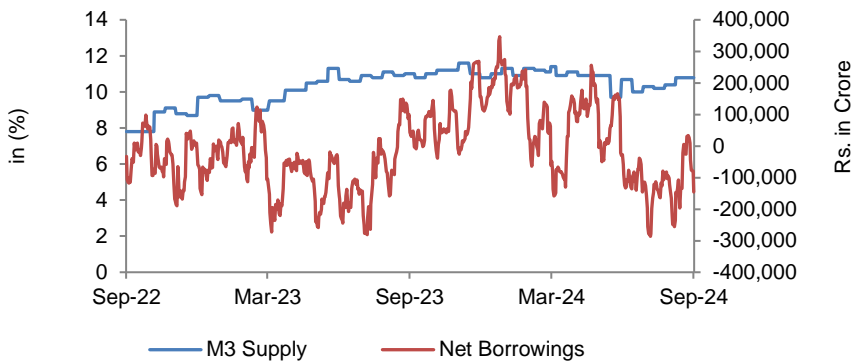
- Gains were extended after the report suggested a likely rate cut on mortgages by China to boost consumption.

- Meanwhile, U.S. Federal Reserve kicked off its interest rate cut cycle, with a significant reduction of 50 basis points, causing yields to fall.

- Yields fell further as market participants expected a reduction in the government's borrowing plan for the Oct to Mar period of FY25.

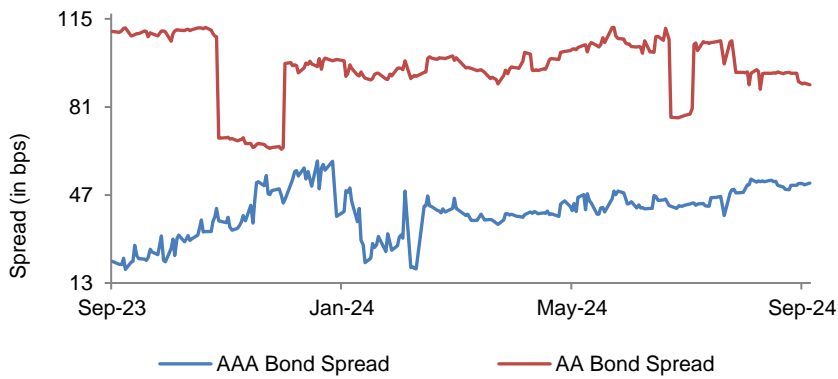
- However, gains were limited after the central government upheld its borrowing plan as budgeted, defying the market participants' expectations of a reduction.

Liquidity Monitor- M3 Supply and Net Borrowings



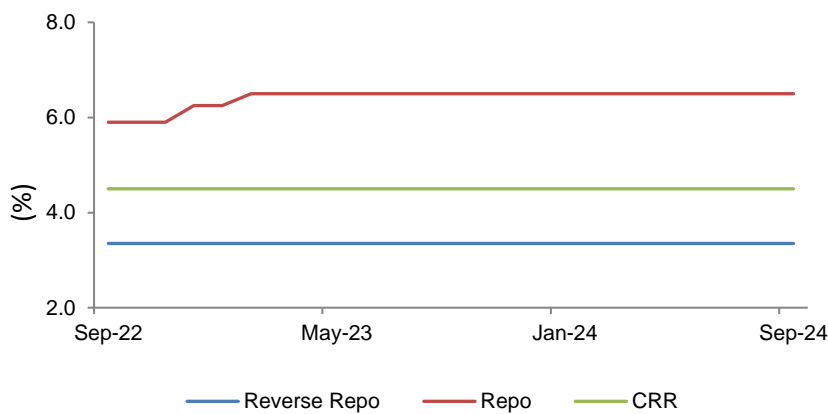
Source: Refinitiv

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



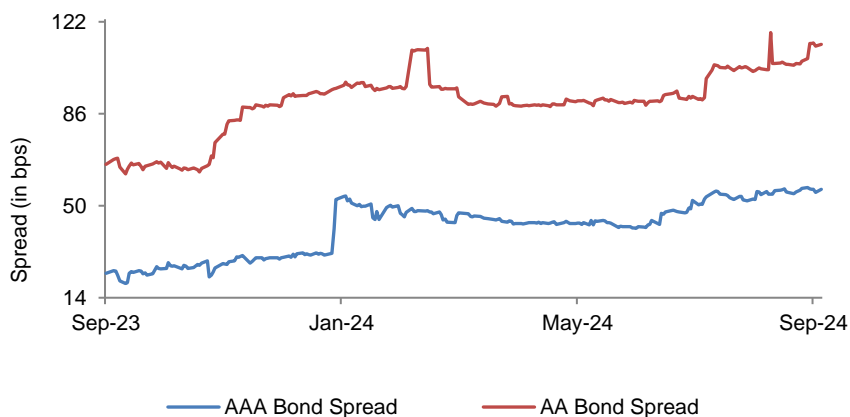
Source: Refinitiv

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. 40,000 crore in Sep 2024, compared to Rs. 80,000 crore in the previous month. The average cut-off yield of 91-, 182- and 364-days Treasury Bills stood at 6.64%, 6.72% and 6.71%, respectively, during the month under review compared with the average yield of 6.63%, 6.73% and 6.72%, respectively in the previous month.
- The RBI also conducted auction of state development loans (SDL) for a total notified amount of Rs. 82,243 crore (full amount was accepted), which is lower than the scheduled amount of Rs. 95,332 crore during Sep 2024. The average cut-off yield of 10-year SDL fell to 7.16% during Sep 2024 from 7.22% in the previous month.
- In addition, the RBI also conducted auction of government securities for a notified amount of Rs. 1,16,000 crore in Aug 2024, for which full amount was accepted with no devolvement on primary dealers.
- Yield on 5-year gilt paper & 10-year paper fell by 11 & 12 bps, respectively. Yield on 5-year & 10-year corporate bonds fell by 9 & 13 bps, respectively. Difference in spread between corporate bond and gilt securities expanded by 2 bps on 5-year paper and contracted by 2 bps on 10-year paper.

GLOBAL EQUITY MARKET

Performance of Major International Markets (as on September 30, 2024)		
Indices	Country	1 Mth (%)
United States		
Nasdaq 100	U.S.	2.48
Nasdaq Composite	U.S.	2.68
Asia Pacific		
SET Composite Index	Thailand	6.32
Jakarta Composite	Indonesia	-1.86
Straits Times Index	Singapore	4.13
KOSPI Index	South Korea	-3.03
Nikkei Stock Average 225	Japan	3.06
Taiwan SE Weighted Index	Taiwan	-0.20
Shanghai Composite Index	China	17.39
BSE Sensex	India	2.35
S&P/ASX 200	Australia	2.20
Europe		
FTSE 100	U.K.	-1.67
CAC 40	France	0.06
DAX Index	Germany	2.21

Source: MFI 360 Explorer & Refinitiv

United States

- U.S. equity markets rose amid optimism about the outlook for the economy following the U.S. Federal Reserve's interest rate cut on 18th Sep, 2024. It is expected that the U.S. Federal Reserve will continue to reduce interest rates in the coming months, as signs of easing inflation become apparent, even though the economy remains in a relatively strong state.

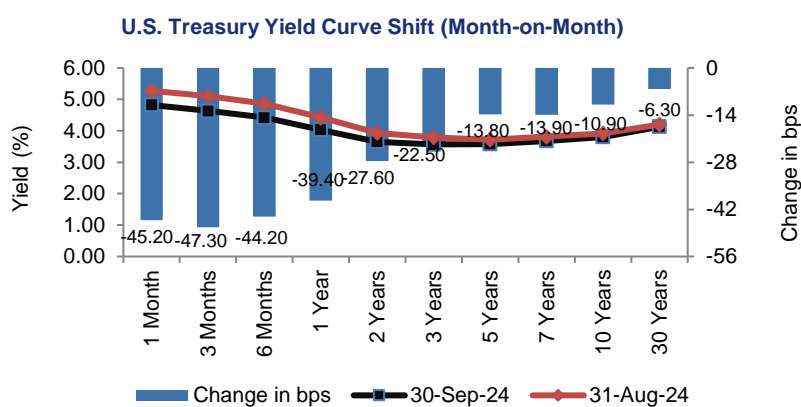
Europe

- European equity markets closed on a mixed note. The market rose after the Bank of England decided on 19th Sep, 2024 to keep interest rates steady and was likewise absorbed by investors. However, gains were restricted amid concerns about the health of the world's largest economy, the U.S., following unsatisfactory employment data.

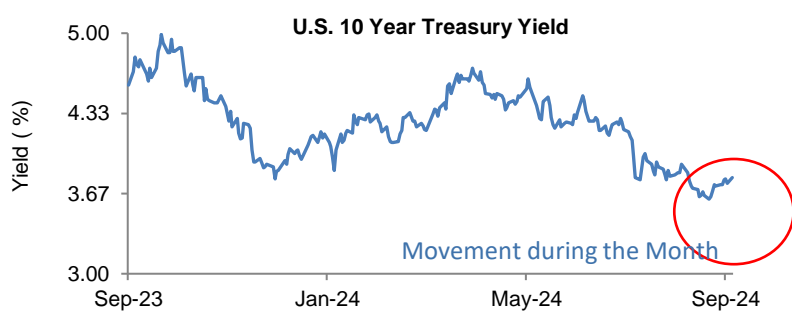
Asia

- Asian equity markets closed on a mixed note. The Chinese and Hong Kong markets surged following China's central bank announcement of its most significant stimulus package since the pandemic to support the economy and address the ongoing challenges in the property sector. However, the Japanese market fell after Japan's newly established ruling party voiced its endorsement of the Bank of Japan's decision to increase interest rates from their historically low levels.

GLOBAL FIXED INCOME - U.S. TREASURY



Source: Refinitiv



Source: Refinitiv

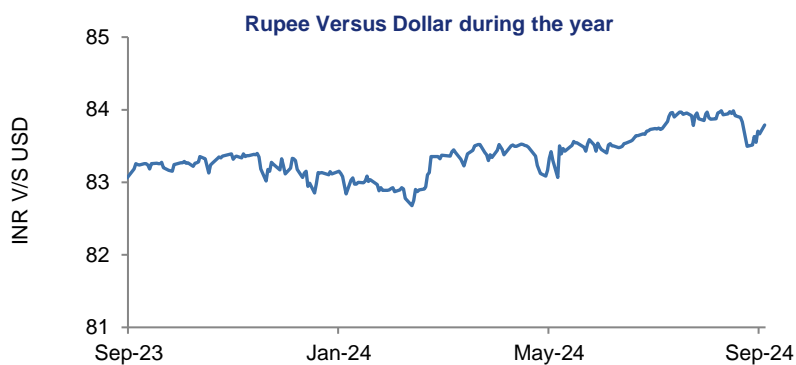
- Yields on the 10-year U.S. Treasury fell by 11 bps to close at 3.80% from the previous month's close of 3.91%.
- U.S. Treasury prices rose following the release of a report by the Institute for Supply Management, it was revealed that U.S. manufacturing activity experienced a sustained contraction during the month of Aug 2024.
- Gains were increased following the release of data indicating a continued decline in the U.S. Personal Consumption Expenditures in Aug 2024 within the world's largest economy, the U.S., the likelihood of a significant interest rate reduction at the U.S. Federal Reserve's policy meeting in Nov 2024 has increased.
- However, gains were restricted as investors maintained their confidence that the U.S. Federal Reserve would successfully navigate a soft landing for the largest economy in the world during its recent cycle of interest rate reductions.



CURRENCY

Movement of Major Currencies (as on September 30, 2024)				
Currency	Value (as on 30-Sep-2024)	1 Mth	3 Mth	1 Yr
U.S. Dollar	83.79	83.87	83.45	83.06
Pound Sterling	112.16	110.50	105.46	101.67
Euro	93.53	92.91	89.25	87.94
Yen (Per Rs.100)	59.00	58.00	52.00	56.00

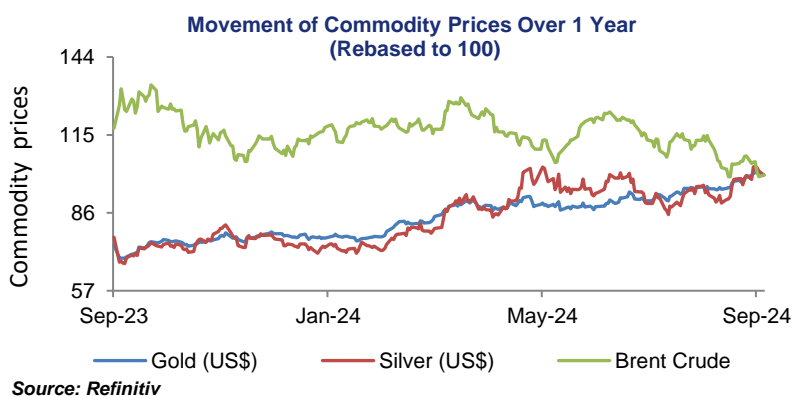
Source: RBI



COMMODITIES

Performance of Various Commodities					
Commodities	Last Closing (30-Sep-24)	Returns (in %)			
		1 Wk	1 Mth	6 Mth	1 Yr
Crude Brent (\$/Barrel)	72.99	-4.23	-11.46	-14.65	-24.64
Gold (\$/Oz)	2634.49	0.23	5.25	18.01	42.54
Gold (Rs/10 gm)	75051.00	1.21	4.70	12.04	30.31
Silver (\$/Oz)	31.15	1.57	7.99	24.73	40.57
Silver (Rs/Kg)	89537.00	2.31	5.45	20.95	25.32

Source: Refinitiv



INR

- Rupee rose against the U.S. dollar supported by anticipated portfolio inflows and following the U.S. Federal Reserve's decision to implement a 50-basis point reduction in interest rates. The rupee rose further following rise in the domestic market. Gains were increased following weakness in greenback demand. Further, prices rose as investors were expecting that the U.S. Federal Reserve would cut interest rates again in the upcoming months.

EURO

- Euro rose against the U.S. dollar following the release of U.S. JOLTS job openings data for the month of Jul 2024 which fell short of expectations. Furthermore, prices rose after the U.S. Federal Reserve cut its interest rate by 50 basis points on 18th Sep, 2024. Further, prices rose as investors maintained their positions, anticipating that the U.S. Federal Reserve will implement another significant interest rate reduction during its Nov 2024 meeting. However, gains were restricted after a survey showed that business activity reports for the eurozone economy disappointed in Sep 2024.

Crude

- Brent crude oil prices fell after reports said that crude oil production resumed in several facilities along the U.S. Gulf of Mexico. Losses were extended further due to concerns over slowing U.S. and Chinese demand and the possibility of increased oil supply from Libya. Further, prices fell amid concerns about the outlook for demand and on worries about excess supply in the market. Prices fell even more due to continued weakness of the Chinese economy. However, losses were restricted amid hopes that reduced borrowing costs will stimulate fuel demand in the world's largest economy, the U.S. Further, gains were increased on supply concerns amid escalating tensions in the Middle East.

Gold

- Gold prices rose amid optimism that the U.S. Federal Reserve will start reducing interest rates. Further, prices rose as the release of soft U.S. inflation data for the month of Aug 2024 heightened expectations for a series of interest rate reductions by the U.S. Federal Reserve. Gains were extended after a significant drop in the U.S. interest rate following the U.S. Federal Reserve's 50-bps rate cut on 18th Sep, 2024. Further, prices rose amid expectations of more interest rate cuts from the U.S. Federal Reserve in coming months. The demand for the safe-haven yellow metal has surged, driven by increasing tensions in the Middle East also added to the gains. However, gains were restricted due to profit-taking after recent gains.

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 September 30, 2024.

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