



# market**buzz**



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On the global, U.S. equity markets rose after the Commerce Department data showed that U.S. retail sales jumped by 1.0% in Jul 2024, which was significantly stronger than anticipated, alleviating worries regarding the U.S. recession fear. Further, the market rose as highly anticipated remarks by the U.S. Federal Reserve Chair at Jackson Hole on 23rd Aug 2024 indicated the central bank is prepared to begin lowering interest rates. European equity markets rose amid diminishing concerns regarding the prospects for the U.S. economic recession, and there is a growing sense of optimism surrounding a potential interest rate reduction by the U.S. Federal Reserve in Sep 2024. Asian equity markets rose as robust GDP and employment figures from the U.S. hinted at a soft landing for the world's largest economy, the U.S. However, gains were restricted as technology stocks faced considerable selling pressure despite a leading U.S. company's revenue growth surpassing analyst prediction, but the results fell short of investor expectations.

Back home, domestic equity markets fell initially on concerns over a potential economic slowdown in the U.S. because of lacklustre economic indicators such as sluggish job growth, increased unemployment rates, and disappointing corporate profits. Losses were extended due to Yen carry trade issue following the Bank of Japan's decision to raise its interest rate from 0.1% to 0.25%. Markets fell further after the RBI maintained a status quo on policy rates and stance amid concerns over elevated food inflation in its latest monetary policy concluded on Aug 8, 2024. Furthermore, a surge in global crude oil prices amid escalated geopolitical tensions between Ukraine and Russia, extended the losses.

In the domestic debt market, bond yields edged lower following a fall in U.S. Treasury yields after the U.S. Federal Reserve hinted that its rate-easing cycle could start in Sep 2024. Gains were extended after a surprise slump in U.S. manufacturing data in Jul 2024 which ignited concerns that the U.S. Federal Reserve may be behind the curve with rate cuts. Yields fell further as weak U.S. jobs data increased worries of aggressive rate cuts by the U.S. Federal Reserve.

[Outlook](#)

Moving ahead, domestic equity markets are expected to get support from moderate inflation, steady crude oil prices, and easing domestic bond yields. Net inflows from domestic institutional investors will also help to support the growth. In terms of earnings, Indian companies are expected to benefit due to favourable conditions like improved monsoons, rural recovery, and higher capital expenditure in the upcoming quarters. An ease in domestic inflation may pave the way for a rate cut in the second half of 2025 if it continues to fall short of the RBI's target. On the global front, a rate cut cycle is expected to start in Sep 2024 by the U.S. Federal Reserve which would result in inflow of foreign funds into domestic equity markets. In addition to the above-mentioned factors, movement of the rupee against the greenback and transaction trends by foreign institutional investors is also expected to impact the domestic equity market in the coming months.

Domestic bond markets are expected to benefit from a favourable global environment as market participants are expecting aggressive rate cuts by the U.S. Federal Reserve starting from Sep 2024. Domestic inflation is predicted to decline because of a strong monsoon that would help to cool down the perishable items in the food basket, while core inflation is expected to stay mostly under control. Domestic bond yields could decrease even more due to global flows into debt markets along with ongoing JP Morgan index inclusion related flows. However, tighter lending norms by the RBI are anticipated as pressure in the unsecured lending market has been mounting, which could restrict the yields from easing.

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

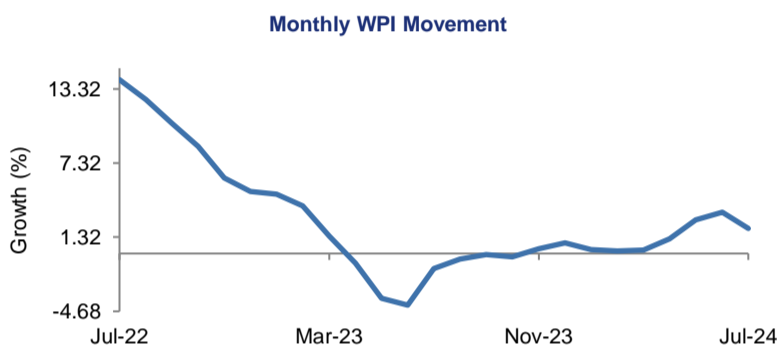
**Deepak Gaddhyan**  
**Head – Retail Liabilities & Wealth Management**



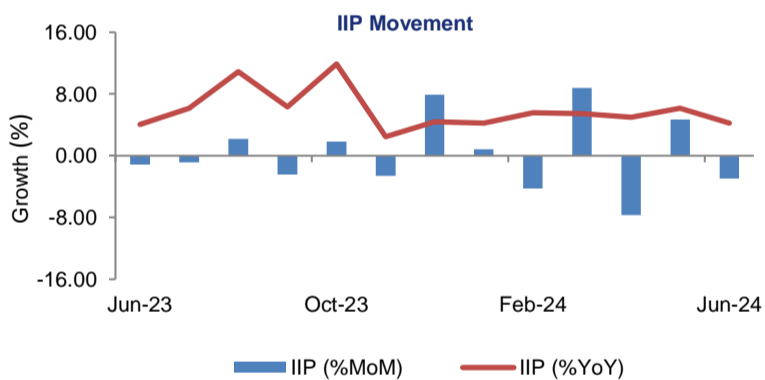
## INDIAN ECONOMY

Economic Releases in August-2024			
Key Indicator	Period	Actual	Previous
Repo Rate	Aug-24	6.50%	6.50%
Reverse Repo	Aug-24	3.35%	3.35%
CRR	Aug-24	4.50%	4.50%
Index of Industrial Production (IIP)	Jun-24	4.20%	6.20%
Wholesale Price Index Inflation(WPI)	Jul-24	2.04%	3.36%
Export (Y-o-Y)	Jul-24	5.36%	2.56%
Import (Y-o-Y)	Jul-24	8.62%	4.99%

Source: RBI, Refinitiv



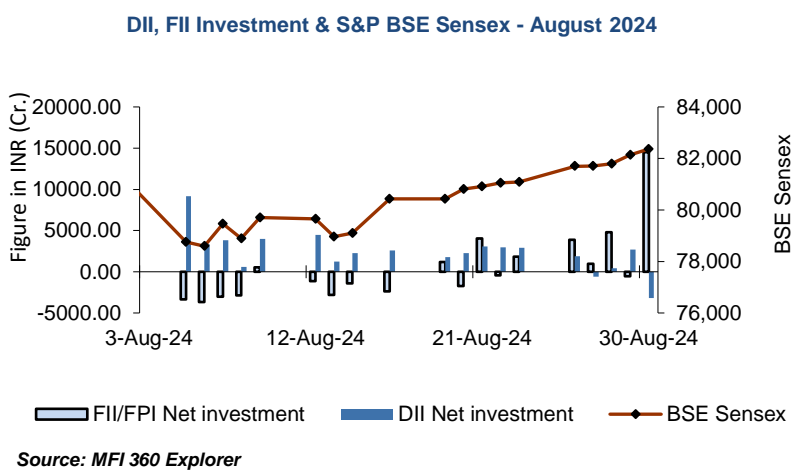
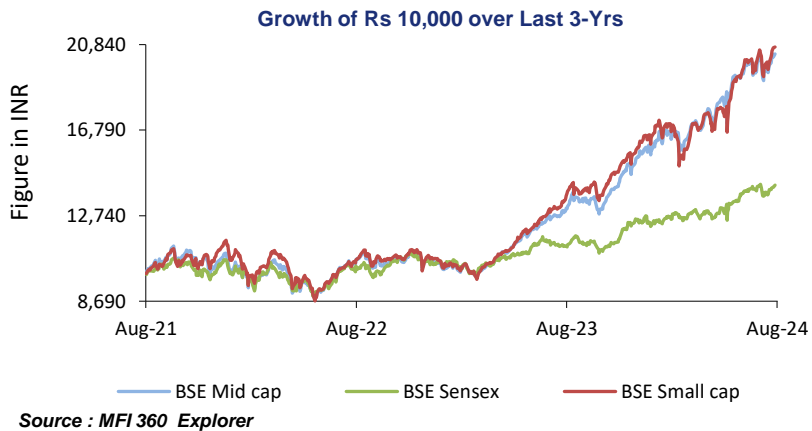
Source: Office of the Economic Adviser, Ministry of Commerce & Industry



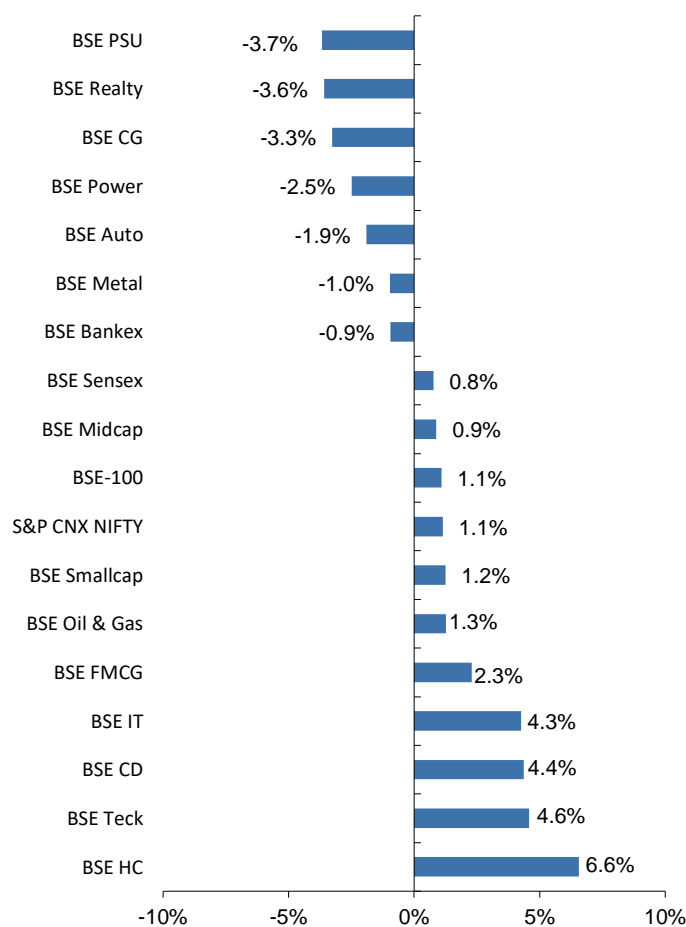
Source: Reuters

- Government data showed that Gross Domestic Product (GDP) of the Indian economy at constant (2011-12) prices witnessed a growth of 6.7% YoY in the first quarter of FY25. In the Apr-Jun quarter of last year, the GDP growth rate was 8.2%. On the sectoral front, the growth of Manufacturing sector accelerated to 7.0% in Q1 of FY25 from 5.0% in same quarter of previous fiscal year. However, growth of Agriculture, Livestock, Forestry & Fishing slowed to 2.0% in Q1 of FY25 compared to 3.7% growth in Q1 of FY24.
- The consumer price index-based inflation fell sharply to 3.54% YoY in Jul 2024 compared to 5.08% in Jun 2024. The inflation rate has edged below the Reserve Bank of India's medium-term target of 4% for the first time since Aug 2019, nearly five years. Consumer food price inflation slowed to 5.42% YoY in Jul 2024 from 9.36% in Jun 2024.
- Industrial production growth in India (IIP) eased to 4.2% YoY in Jun 2024, as compared to 6.2% rise in May 2024. Production in the manufacturing industry increased by 2.6%, mining by 10.3% and electricity by 8.6% in Jun 2024.
- India's wholesale price index (WPI) based inflation eased to 3-month low of 2.04% YoY in Jul 2024 as compared to a 16-month high of 3.36% in Jun 2024. The positive rate of inflation in Jul 2024 was primarily due to an increase in prices of food articles, manufacture of food products, crude petroleum & natural gas, mineral oils, other manufacturing etc.
- According to the draft guidelines proposed by the RBI, the central bank has proposed that an acquiring bank shall carry out due diligence of all Aadhar-enabled payment system (AePS) touchpoint operators onboarded by it and also carry out updating of KYC (Know Your Customer) in cases where an AePS touchpoint operator has not performed any financial transaction for a continuous period of six months, in an effort to prevent fraud.
- Finance Minister introduced an amendment to the long-term capital gains tax on real estate, which was passed in Lok Sabha. According to the amendment taxpayers can choose between the new 12.5% rate without indexation or the old 20% rate with indexation for properties bought before Jul 23, 2024.
- According to SEBI norms, asset management companies (AMC) are not allowed to pass scheme expenses to AMC's books to keep the cost of ETFs low in order to make them more competitive. A narrow exception to this law is provided by SEBI norms, where AMCs are permitted to deduct up to 2 bps from their book to cover costs that are high in volume but of very little value. In general, fund houses can charge a maximum of 1% TER on ETFs and FoFs from the scheme account.
- SEBI has instructed fund houses to create an institutional mechanism to stop market abuse, such as front running and fraud transactions in the capital market. SEBI has allotted a period of 3 months for fund houses with assets under management (AUM) exceeding Rs. 10,000 crore to set up this mechanism. Fund houses with AUM below Rs. 10,000 crore as of Aug 01, 2024, have been given 6 months to comply.

## Indian Equity Market



### Monthly returns as on August 30 2024



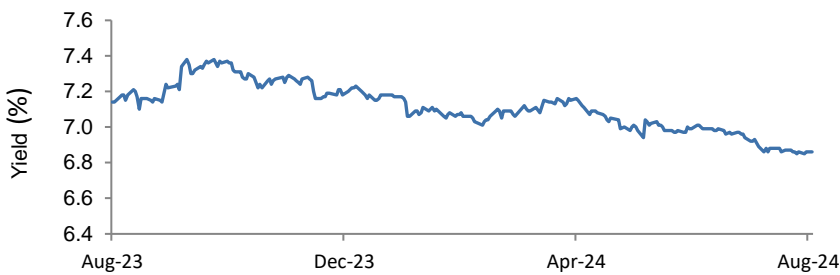
- Domestic equity markets fell initially on concerns over a potential economic slowdown in the U.S. because of lackluster economic indicators such as sluggish job growth, increased unemployment rates, and disappointing corporate profits.
- Losses were extended due to Yen carry trade issue following the Bank of Japan's decision to raise its interest rate from 0.1% to 0.25%. Markets fell further after the RBI maintained a status quo on policy rates and stance amid concerns over elevated food inflation in its latest monetary policy concluded on Aug 8, 2024.
- Furthermore, a surge in global crude oil prices amid escalated geopolitical tensions between Ukraine and Russia, extended the losses. However, markets rebounded as sentiments were boosted after the Bank of Japan's Deputy Governor reassured that the central bank would not raise interest rates during a period of financial instability, which eased the Yen carry trade issue. Markets rose further as strong U.S. retail sales data of Jul 2024 and low weekly jobless claims figures of Aug 10, 2024, allayed concerns about an impending recession in the world's largest economy.
- Meanwhile, markets extended its gains on anticipation that the U.S. Fed Chairperson might deliver distinct indications regarding the probable magnitude of a rate reduction in Sep 2024, during the forthcoming Jackson Hole Symposium on Aug 23, 2024. Gains were further extended following the dovish comments from the Chairperson of the U.S. Federal Reserve that raised the expectations of rate cut in Sep 2024.
- The prospects of solid domestic economic growth amid a healthy monsoon boosted the sentiment. Sentiments were further improved as positive U.S. labor market data along with GDP data pointed to a soft landing for the world's largest economy.
- On the BSE sectoral front, BSE Healthcare surged 6.56% as investors' appetite for the defensive sector like pharma increased. The sector has done well due to benign inputs, stable U.S. prices and positive domestic demand, achieving double-digit YoY growth of 12% in revenue and 23% in net profit in Q1FY25. BSE Consumer Durables rose 4.37% on expectation of sales growth during the upcoming festive seasons. BSE IT rallied 4.27% on expectations of a rate cut by the U.S. Federal Reserve in Sep 2024 as information technology companies earn a significant share of their revenue from the U.S. and could benefit from a rate cut which could support growth in the world's largest economy.

## Indian Fixed Income

Indicators (Yield %)	August 30, 2024	July 31, 2024
Call Rate	6.71%	6.49%
FBIL 1 Mn Term Mibor	7.10%	7.09%
10-Yr benchmark bond	6.86%	6.93%
Reverse Repo	3.35%	3.35%
Repo	6.50%	6.50%
Bank Rate	6.75%	6.75%
CRR	4.50%	4.50%

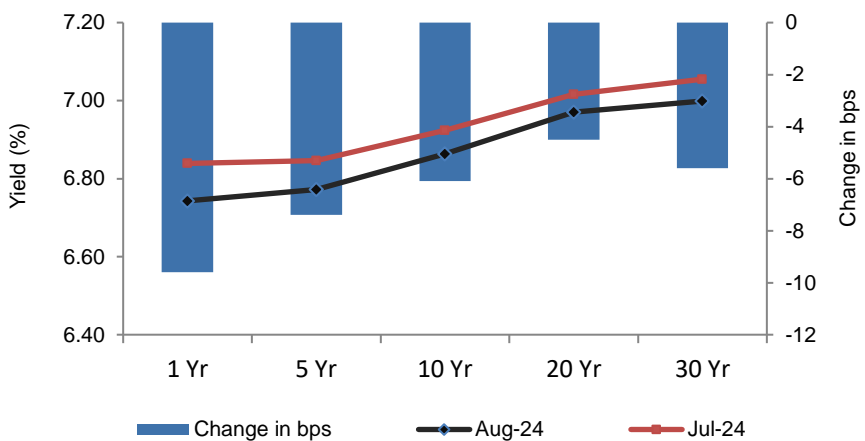
Source: Refinitiv

10-Yr Benchmark Bond



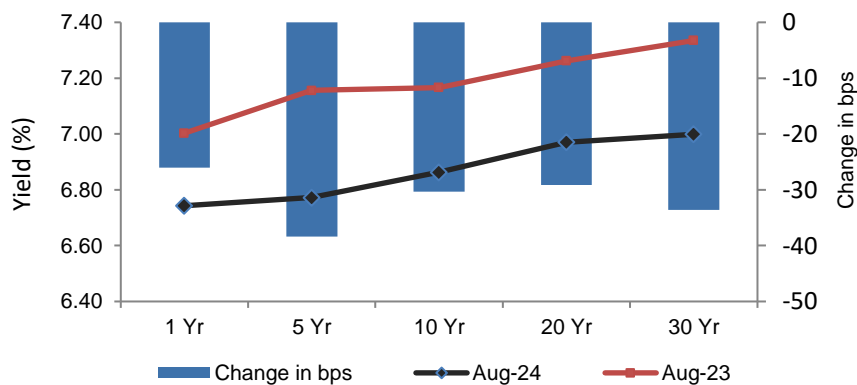
Source: CCIL

India Yield Curve Shift (Month-on-Month)



Source: Refinitiv

India Yield Curve Shift (Year-on-Year)



Source: Refinitiv

- Bond yields decreased during the month following a drop in U.S. Treasury yields after the U.S. Federal Reserve hinted that its rate-easing cycle could start in Sep 2024. Gains were extended following a slump in U.S. manufacturing data in Jul 2024 which ignited concerns that the U.S. Federal Reserve may be behind the curve with rate cuts. Yields fell further as weak U.S. jobs data of Jul 2024 increased the expectation of aggressive rate cuts by the U.S. Federal Reserve. However, gains were restricted after the RBI maintained a status quo on interest rates and retained its hawkish policy stance with focus on bringing inflation down in its latest monetary policy meeting concluded on Aug 8, 2024.

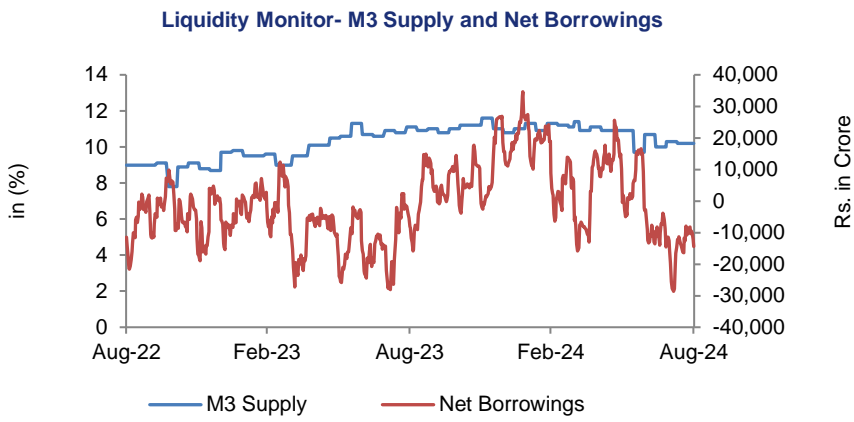
- Yield on the 10-year benchmark paper (7.10% GS 2034) fell by 7 bps to close at 6.86%, compared with the previous month's close of 6.93%.

- Bond yields edged lower following a fall in U.S. Treasury yields after the U.S. Federal Reserve hinted that its rate-easing cycle could start in Sep 2024. Gains were extended after a surprise slump in U.S. manufacturing data in Jul 2024 which ignited concerns that the U.S. Federal Reserve may be behind the curve with rate cuts.

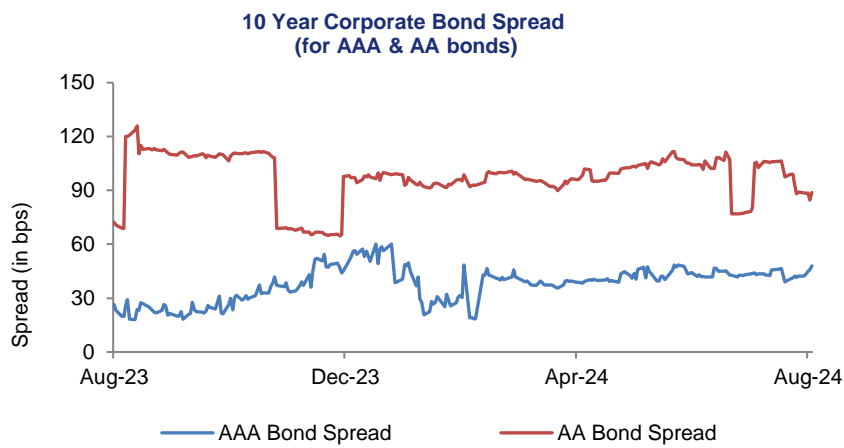
- Yields fell further as weak U.S. jobs data increased worries of aggressive rate cuts by the U.S. Federal Reserve. However, gains were restricted after the RBI maintained a status quo on interest rates and retained its hawkish policy stance with focus on bringing inflation down in its latest monetary policy meeting concluded on Aug 8, 2024.

- Meanwhile, fall in yields slowed further as market participants eyed Federal Reserve Chairperson's keynote speech at the annual Jackson Hole research conference. Subsequently, yields eased tracking fall in the U.S. Treasury yields as Federal Reserve Chairman indicated that the central bank is likely to commence interest rate reductions starting in Sep 2024.

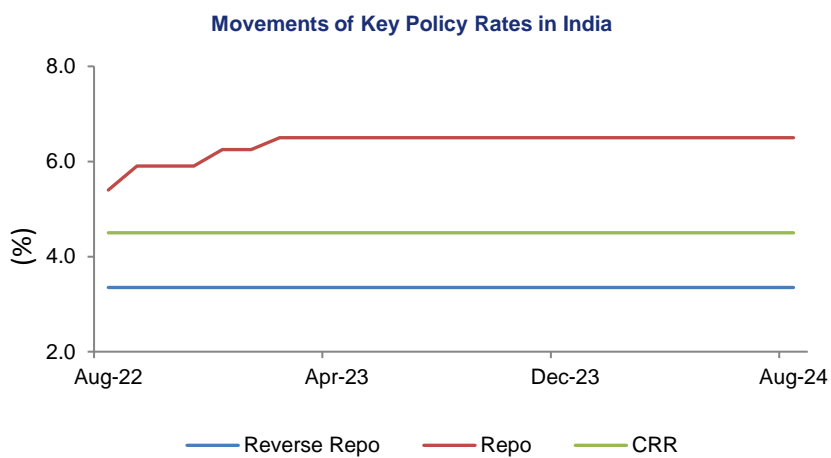
- However, gains were trimmed towards end of the month due to higher-than-expected debt sale from states which added to the overall bond supply. Indian states raised Rs. 36,250 crore from bond sales compared to the scheduled amount of Rs. 29,400 crore on Aug 27, 2024.



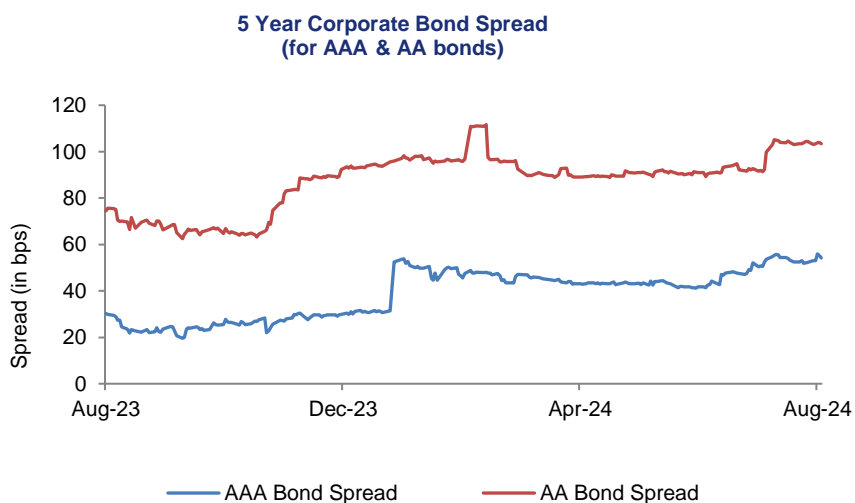
Source: Refinitiv



Source: Refinitiv



Source: RBI



Source: Refinitiv

- The central bank of India conducted auctions of 91-, 182- and 364-days Treasury Bills for a notified amount of Rs. 80,000 crore in Aug 2024, compared to Rs. 1,00,000 crore in the previous month. The average cut-off yield of 91-, 182- and 364-days Treasury Bills stood at 6.63%, 6.73% and 6.72%, respectively, during the month under review compared with the average yield of 6.74%, 6.85% and 6.88%, respectively in the previous month.
- The RBI also conducted auction of state development loans (SDL) for a total notified amount of Rs. 89,690 crore (accepted amount was Rs. 89,190 crore), which is slightly higher than the scheduled amount of Rs. 88,740 crore during Aug 2024. The average cut-off yield of 10-year SDL fell to 7.22% during Aug 2024 from 7.34% in the previous month.
- In addition, the RBI also conducted auction of government securities for a notified amount of Rs. 1,40,000 crore in Aug 2024, for which amount of Rs. 1,35,697.40 crore was accepted with no devolvement on primary dealers.
- Yield on 5-year gilt paper & 10-year paper fell by 8 & 6 bps, respectively. Yield on 5-year corporate bond fell by 3 bps & 10-year paper was unchanged. Difference in spread between corporate bond and gilt securities expanded by 5 and 6 bps on 5-year and 10-year paper, respectively.

## GLOBAL EQUITY MARKET

Performance of Major International Markets (as on August 30, 2024)		
Indices	Country	1 Mth (%)
<b>United States</b>		
Nasdaq 100	U.S.	1.10
Nasdaq Composite	U.S.	0.65
<b>Asia Pacific</b>		
SET Composite Index	Thailand	2.89
Jakarta Composite	Indonesia	5.72
Straits Times Index	Singapore	-0.38
KOSPI Index	South Korea	-3.48
Nikkei Stock Average 225	Japan	-1.16
Taiwan SE Weighted Index	Taiwan	0.31
Shanghai Composite Index	China	-3.28
BSE Sensex	India	0.76
S&P/ASX 200	Australia	0.00
<b>Europe</b>		
FTSE 100	U.K.	0.10
CAC 40	France	1.32
DAX Index	Germany	2.15

*Source: MFI 360 Explorer & Refinitiv*

### United States

- U.S. equity markets rose after the Commerce Department data showed that U.S. retail sales jumped by 1.0% in Jul, 2024, which was significantly stronger than anticipated, alleviating worries regarding the U.S. recession fear. Further, the market rose as highly anticipated remarks by the U.S. Federal Reserve Chair at Jackson Hole on 23rd Aug 2024 indicated the central bank is prepared to begin lowering interest rates.

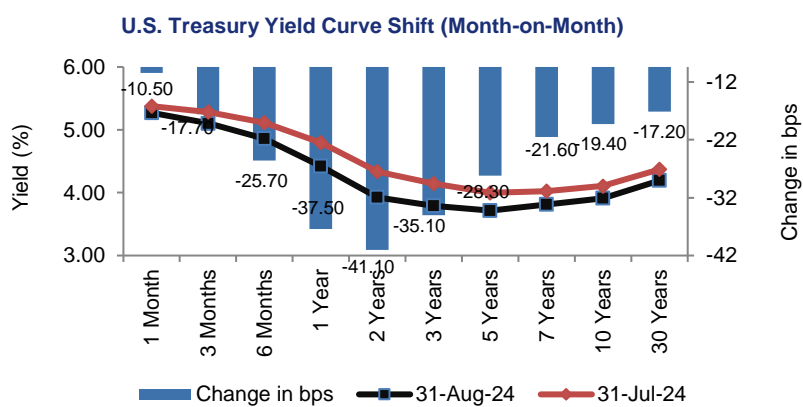
### Europe

- European equity markets rose amid diminishing concerns regarding the prospects for the U.S. economic recession, and there is a growing sense of optimism surrounding a potential interest rate reduction by the U.S. Federal Reserve in Sep 2024. Additionally, a survey showed that the eurozone manufacturing PMI fell from 45.8 to an 8-month low of 45.6 in Aug 2024, also reinforcing investor bets that the European Central Bank would cut interest rates, which further added to the gains.

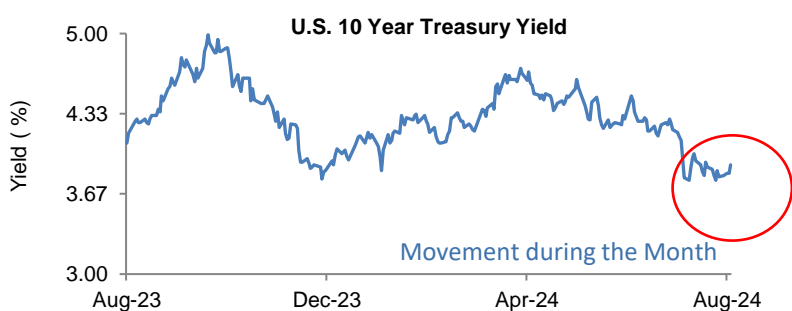
### Asia

- Asian equity markets rose as robust GDP and employment figures from the U.S. hinted at a soft landing for the world's largest economy, the U.S. However, gains were restricted as technology stocks faced considerable selling pressure despite a leading U.S. company's revenue growth surpassing analyst prediction, but the results fell short of investor expectations.

## GLOBAL FIXED INCOME - U.S. TREASURY



Source: Refinitiv



Source: Refinitiv

- Yields on the 10-year U.S. Treasury fell by 20 bps to close at 3.91% from the previous month's close of 4.11%.

- U.S. Treasury prices rose following the remarks of the U.S. Federal Reserve Chair at the Jackson Hole Economic Symposium in Wyoming on 23rd Aug, 2024 where he provided his most definitive indication to date that interest rates are expected to decrease, likely during the upcoming policy meeting in Sep 2024.

- However, gains were restricted after the U.S. personal consumption expenditures (PCE) price index rose by 0.2% in Jul 2024 after inching up by 0.1% in Jun 2024. The modest increase matched expectations, which raised expectations the U.S. Federal Reserve was likely to opt for a small rate cut at its Sep 2024 meeting.

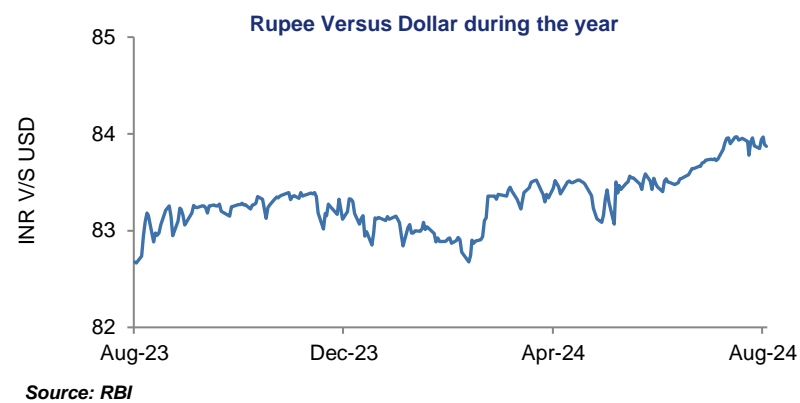




## CURRENCY

Movement of Major Currencies (as on August 30, 2024)				
Currency	Value (as on 30-Aug-2024)	1 Mth	3 Mth	1 Yr
U.S. Dollar	83.87	83.74	83.30	82.68
Pound Sterling	110.50	107.55	105.93	105.09
Euro	92.91	90.62	90.12	90.22
Yen (Per Rs.100)	58.00	55.00	53.00	57.00

Source: RBI



### INR

- Rupee fell against the U.S. dollar as the domestic market experienced a downturn, following the global stock market sell-off caused on 5th Aug 2024 by concerns of a slowdown in the U.S. and escalating geopolitical tensions in the Middle East. Further, prices fell due to weakness in other Asian peers. However, losses were restricted by likely intervention from the Reserve Bank of India. Further, fresh foreign fund inflows also supported the rupee. Gains were increased further as market expectations for interest rate cuts in Sep 2024 from the U.S. Federal Reserve.

### EURO

- Euro rose against the U.S. dollar amid increased fears of U.S. economic downturn and anticipated larger rate cuts from the U.S. Federal Reserve. Further, prices rose following a clear indication from the U.S. Federal Reserve Chair that the long-awaited reduction in U.S. interest rates is expected to occur in Sep 2024. However, gains were restricted after preliminary data showed that German inflation eased in Aug 2024, which raised hopes that the European Central Bank would cut interest rates in Sep 2024.

### Crude

- Brent crude oil prices fell marginally amid increasing worries about the prospects of oil demand due to sluggish growth in the U.S. and concerns that the U.S. economy might face a recession. Further, prices fell on concerns about the outlook for demand from China. Easing geopolitical tensions also weighed on oil prices. However, losses were limited as there is a positive sentiment regarding the future of the U.S. oil demand following the indication from the U.S. Federal Reserve Chair that the central bank is ready to initiate reductions in interest rates. Further, prices rose on supply concerns amid reports Libya has shut off production and halted exports at several ports.

### Gold

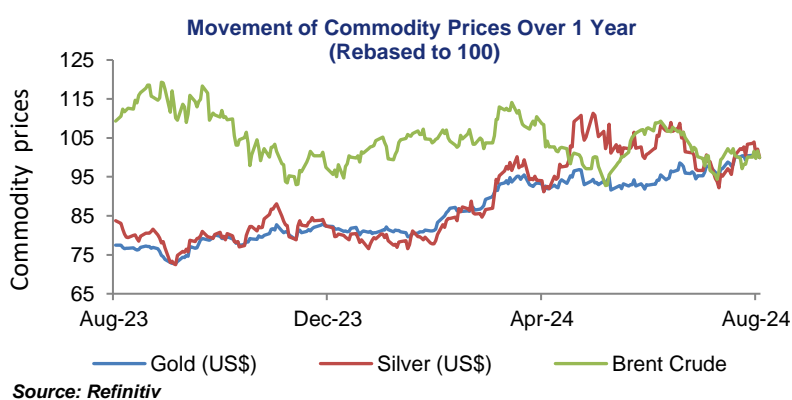
- Gold prices rose amid expectations that the U.S. Federal Reserve will begin to reduce interest rates in Sep 2024. The rising tensions in the Middle East also played a significant role in the increase of the yellow metal's gains. Prices rose further due to increased safe-haven demand, driven by concerns over a potential U.S. recession following disappointing U.S. manufacturing data in Jul 2024 and mixed tech earnings reports. Gains were increased further as the U.S. Federal Reserve Chair's Jackson Hole speech seemingly confirmed expectations that the U.S. central bank is prepared to begin lowering interest rates.



## COMMODITIES

Performance of Various Commodities					
Commodities	Last Closing (30-Aug-24)	Returns (in %)			
		1 Wk	1 Mth	6 Mth	1 Yr
Crude Brent (\$/Barrel)	82.44	-0.10	-0.41	-4.38	-6.28
Gold (\$/Oz)	2503.03	-0.36	2.24	22.50	29.04
Gold (Rs/10 gm)	71679.00	0.82	3.81	15.43	20.95
Silver (\$/Oz)	28.84	-3.26	-0.67	27.25	18.05
Silver (Rs/Kg)	84910.00	0.81	2.53	22.18	14.04

Source: Refinitiv



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

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