

**MORNING MOCHA**

16 July 2024

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The recent dovish commentary by Fed Chair weighed in on investors' sentiments and reinforced the rate cut expectations, with the earliest cut likely in Sep'24. It is expected there will be 3 rate cuts during the year. Furthermore, underwhelming data from China, weaker than expected Q2CY24 GDP print added concerns around economic recovery. On the domestic front, WPI came in at 3.4% (16-month high) in Jun'24 compared with 2.6% in May'24 led by elevated food prices. Separately, on the back of good monsoon, Kharif sowing has been 10.3% higher than last year. India's trade deficit narrowed to US\$ 21bn in Jun'24 (US\$ 23.8bn in May'24). Export growth moderated to 2.6% in Jun'24 and import growth was at 4.9% in Jun'24.

- Global equity indices ended mixed. Investors monitored dovish commentary by Fed chair as he stated Fed 'will not wait for inflation to hit the 2% mark' to cut rates. Investors also closely tracked subdued GDP print from China. On the other hand, Sensex ended in green, supported by gains in real estate and oil & gas stocks. It is trading higher today while other Asian indices are trading mixed.

**Fig 1 – Stock markets**

	12-07-2024	15-07-2024	Change, %
Dow Jones	40,001	40,212	0.5
S & P 500	5,615	5,631	0.3
FTSE	8,253	8,183	(0.8)
Nikkei	42,224	41,191	(2.4)
Hang Seng	18,293	18,016	(1.5)
Shanghai Comp	2,971	2,974	0.1
Sensex	80,519	80,665	0.2
Nifty	24,502	24,587	0.3

Source: Bloomberg, Bank of Baroda Research | Note: Markets in Japan were closed on 15 July 2024

- Major global currencies ended lower against the dollar. DXY rose by 0.1%, supported by gains in US treasury yields. GBP fell the most ahead of services inflation data, due tomorrow, which is expected to shed light on timing of BoE's rate cut. Following global cues, INR also fell by 0.1%. However, it is trading higher today, while other Asian currencies are trading lower.

**Fig 2 – Currencies**

	12-07-2024	15-07-2024	Change, %
EUR/USD (1 EUR / USD)	1.0907	1.0894	(0.1)
GBP/USD (1 GBP / USD)	1.2988	1.2968	(0.2)
USD/JPY (JPY / 1 USD)	158.84	158.06	0.5
USD/INR (INR / 1 USD)	83.54	83.60	(0.1)
USD/CNY (CNY / 1 USD)	7.2504	7.2583	(0.1)

Source: Bloomberg, Bank of Baroda | Note: Markets in Japan were closed on 15 July 2024

- Apart from US 10Y, other global yields inched down. US 10Y yield was up by 5bps, due to concerns surrounding long-term fiscal outlook, and investors



assessing the political impact of assassination attempt on former President Trump. Demand for bonds was also weak on Monday. India's 10Y yield fell by 1bps, as oil prices cooled. It is trading further lower today at 6.97%.

**Fig 3 – Bond 10Y yield**

	12-07-2024	15-07-2024	Change, bps
US	4.18	4.23	5
UK	4.11	4.10	(1)
Germany	2.50	2.47	(2)
Japan	1.09	1.07	(3)
China	2.26	2.25	(1)
India	6.99	6.98	(1)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in Japan were closed on 15 July 2024

**Fig 4 – Short term rates**

	12-07-2024	15-07-2024	change in bps
Tbill-91 days	6.74	6.72	(2)
Tbill-182 days	6.84	6.83	(1)
Tbill-364 days	6.92	6.86	(6)
G-Sec 2Y	6.92	6.92	(1)
India OIS-2M	6.67	6.66	(1)
India OIS-9M	6.73	6.72	0
SONIA int rate benchmark	5.20	5.20	0
US SOFR	5.34	5.34	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	12-07-2024	15-07-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.4)	(0.8)	0.6
Reverse Repo	0	0.1	0.1
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	11-07-2024	12-07-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	125.9	712.5	586.6
Debt	84.4	70.0	(14.4)
Equity	41.5	642.6	601.0
Mutual funds (Rs cr)	1,453.0	(431.8)	(1,884.8)
Debt	535.2	(1,880.5)	(2,415.7)
Equity	917.8	1,448.7	530.9

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 10 Jul and 11 Jul 2024

- Oil prices fell again, as concerns around demand from China remain.

**Fig 7 – Commodities**

	12-07-2024	15-07-2024	% change
Brent crude (US\$/bbl)	85.0	84.9	(0.2)
Gold (US\$/ Troy Ounce)	2,411.4	2,422.3	0.4
Copper (US\$/ MT)	9,726.9	9,652.6	(0.8)
Zinc (US\$/MT)	2,884.6	2,892.6	0.3
Aluminium (US\$/MT)	2,481.0	2,461.5	(0.8)

Source: Bloomberg, Bank of Baroda Research



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