

## MORNING MOCHA

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Global markets had a breather to some extent. A host of factors from pricing of risk amid volatility, underlying liquidity conditions to unwinding of carry trade; steered market sentiments. Among major macro releases, were US home starts data which showed some moderation. University of Michigan's inflation expectation continued to remain sticky albeit some softening of recent inflation readings. Investors will be closely eyeing Fed Chair comments in the upcoming Jackson Hole symposium, for cues on timing of cut. Swap traders are pricing in a percentage point cut by Fed in Sep'24. Elsewhere in UK, retail sales remained firm. On domestic front, government has reduced the windfall gains tax to Rs 2,100/tonne, in line with international crude price and fuel margins. In a separate release, the PLFS data showed unemployment rate has moderated to 6.6% in Q1FY25 from 6.7% in Q4FY24.

- Barring UK, stocks elsewhere edged up. Global markets rallied amid expectations of a soft landing in the US, backed by strong macro data and softer inflation readings. Nikkei rose the most by 3.6%, led by gains in power and real estate sector. Sensex also rose by 1.7%, supported by global cues. Real estate and technology stocks gained the most. It is trading further higher today, while Asian stocks are trading mixed.

**Fig 1 – Stock markets**

|               | 15-08-2024 | 16-08-2024 | Change, % |
|---------------|------------|------------|-----------|
| Dow Jones     | 40,563     | 40,660     | 0.2       |
| S & P 500     | 5,543      | 5,554      | 0.2       |
| FTSE          | 8,347      | 8,311      | (0.4)     |
| Nikkei        | 36,727     | 38,063     | 3.6       |
| Hang Seng     | 17,109     | 17,430     | 1.9       |
| Shanghai Comp | 2,877      | 2,879      | 0.1       |
| Sensex        | 79,106     | 80,437     | 1.7       |
| Nifty         | 24,144     | 24,541     | 1.6       |

Source: Bloomberg, Bank of Baroda Research, Note: Indian markets were closed on 15th

- Except INR, other global currencies appreciated against the dollar. DXY fell by 0.5% following dovish comments from a key Fed official. JPY appreciated the most by 1.1%. INR closed flat despite softer dollar and lower oil prices. It is trading higher today, while Asian currencies are trading mixed.

**Fig 2 – Currencies**

|                       | 15-08-2024 | 16-08-2024 | Change, % |
|-----------------------|------------|------------|-----------|
| EUR/USD (1 EUR / USD) | 1.0972     | 1.1027     | 0.5       |
| GBP/USD (1 GBP / USD) | 1.2855     | 1.2944     | 0.7       |
| USD/JPY (JPY / 1 USD) | 149.28     | 147.63     | 1.1       |
| USD/INR (INR / 1 USD) | 83.95      | 83.95      | 0         |
| USD/CNY (CNY / 1 USD) | 7.1747     | 7.1592     | 0.2       |

Source: Bloomberg, Bank of Baroda, Note: Indian markets were closed on 15th



- US 10Y yield softened by 3bps as recent inflation data rekindled hopes of monetary easing by Fed. UK's 10Y yield closed stable as traders remained cautious assessing retail sales data. Japan's 10Y yield rose by 4bps as expectations lingered over pause but not deflection from the rate hike path. India's 10Y yield rose a tad. It is trading at 6.86% today.

**Fig 3 – Bond 10Y yield**

|         | 15-08-2024 | 16-08-2024 | Change, bps |
|---------|------------|------------|-------------|
| US      | 3.91       | 3.88       | (3)         |
| UK      | 3.92       | 3.93       | 0           |
| Germany | 2.26       | 2.25       | (2)         |
| Japan   | 0.84       | 0.88       | 4           |
| China   | 2.20       | 2.19       | (1)         |
| India   | 6.86       | 6.87       | 1           |

Source: Bloomberg, Bank of Baroda Research, Note: Indian markets were closed on 15th

**Fig 4 – Short term rates**

|                          | 15-08-2024 | 16-08-2024 | change in bps |
|--------------------------|------------|------------|---------------|
| Tbill-91 days            | 6.60       | 6.60       | 0             |
| Tbill-182 days           | 6.72       | 6.70       | (2)           |
| Tbill-364 days           | 6.72       | 6.72       | 0             |
| G-Sec 2Y                 | 6.75       | 6.79       | 3             |
| India OIS-2M             | 6.57       | 6.59       | 2             |
| India OIS-9M             | 6.53       | 6.55       | 2             |
| SONIA int rate benchmark | 4.95       | 4.95       | 0             |
| US SOFR                  | 5.33       | 5.35       | 2             |

Source: Bloomberg, Bank of Baroda Research, Note: Indian markets were closed on 15th

**Fig 5 – Liquidity**

| Rs tn                             | 14-08-2024 | 16-08-2024 | change (Rs tn) |
|-----------------------------------|------------|------------|----------------|
| Net Liquidity (-Surplus/+deficit) | (1.4)      | (1.6)      | 0.2            |
| Reverse Repo                      | 0.7        | 0.1        | (0.6)          |
| Repo                              | 0          | 0          | 0              |

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

|                      | 13-08-2024 | 14-08-2024 | change (US\$ mn/Rs cr) |
|----------------------|------------|------------|------------------------|
| FII (US\$ mn)        | (99.6)     | (225.1)    | (125.5)                |
| Debt                 | 69.5       | 58.2       | (11.3)                 |
| Equity               | (169.1)    | (283.3)    | (114.2)                |
| Mutual funds (Rs cr) | 595.3      | (3,988.0)  | (4,583.3)              |
| Debt                 | (3,387.4)  | (3,501.7)  | (114.3)                |
| Equity               | 3,982.7    | (486.3)    | (4,468.9)              |

Source: Bloomberg, Bank of Baroda Research | Note: Data for Mutual Funds as of 12 Aug and 13 Aug 2024

- Oil prices declined as weak macro data from China stoked demand concerns.

**Fig 7 – Commodities**

|                         | 15-08-2024 | 16-08-2024 | % change |
|-------------------------|------------|------------|----------|
| Brent crude (US\$/bbl)  | 81.0       | 79.7       | (1.7)    |
| Gold (US\$/ Troy Ounce) | 2,456.8    | 2,508.0    | 2.1      |
| Copper (US\$/ MT)       | 9,050.9    | 9,006.3    | (0.5)    |
| Zinc (US\$/MT)          | 2,731.3    | 2,710.0    | (0.8)    |
| Aluminium (US\$/MT)     | 2,363.5    | 2,365.5    | 0.1      |

Source: Bloomberg, Bank of Baroda Research



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