

MORNING MOCHA

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ECONOMIST
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Initial jobless claims in the US rose by 20k to 243k (est.: 230k), and continuing claims also rose, to 1.87mn (est.: 1.86mn) reaching its highest level since Nov'21. This has solidified confidence of investors that Fed will cut rate in Sep'24. However, recent comments of Fed officials have reignited debate around the quantum of cumulative Fed rate cuts this year. ECB in its latest policy decision, held rates unchanged, but changed its outlook on growth. President Lagarde noted that risks to growth are now 'tilted to the downside' versus being 'evenly balanced' before. As a result, investors are pricing in 2 rate cuts by ECB this year. Separately in the UK, slowing wage growth (5.7% in May'24 versus 5.9% in Apr'24) has increased hopes of a rate cut by BoE in Aug/Sep'24. In contrast, Australia registered increase wage growth, despite increase in unemployment, as population pressures grow.

- Global equity indices ended mixed. Investors continued to monitor simmering tensions around a possible US-China trade conflict. Markets witnessed profit booking amidst growing headwinds around global economic recovery. Sensex gained by 0.8% supported by movement in IT and banking stocks. It is trading higher today as other Asian indices are trading mixed today.

Fig 1 – Stock markets

	17-07-2024	18-07-2024	Change, %
Dow Jones	41,198	40,665	(1.3)
S & P 500	5,588	5,545	(0.8)
FTSE	8,187	8,205	0.2
Nikkei	41,098	40,126	(2.4)
Hang Seng	17,739	17,778	0.2
Shanghai Comp	2,963	2,977	0.5
Sensex	80,717	81,343	0.8
Nifty	24,613	24,801	0.8

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 17 July 2024

- Except CNY (flat), other global currencies ended lower against the dollar. DXY strengthened amidst a positive data print (improvement in Fed manufacturing survey). GBP dropped after average earnings data slowed down (5.7% from 5.9%) in line with expectations. Euro weakened after ECB kept the rates steady. INR is trading stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	17-07-2024	18-07-2024	Change, %
EUR/USD (1 EUR / USD)	1.0939	1.0897	(0.4)
GBP/USD (1 GBP / USD)	1.3009	1.2944	(0.5)
USD/JPY (JPY / 1 USD)	156.20	157.37	(0.7)
USD/INR (INR / 1 USD)	83.59	83.66	(0.1)
USD/CNY (CNY / 1 USD)	7.2621	7.2621	0

Source: Bloomberg, Bank of Baroda | Note: Markets in India were closed on 17 July 2024



- Global 10Y yields closed mixed. US 10Y yield rose the most (4bps), while UK 10Y yield ended lower. Recent comments from Fed officials has refuelled debate on number of rate cuts Fed will make this year. In UK, slowdown in wage growth helped cool down yields. India's 10Y yield ended flat, and is trading unchanged even today, awaiting fresh global cues.

Fig 3 – Bond 10Y yield

	17-07-2024	18-07-2024	Change, bps
US	4.16	4.20	4
UK	4.08	4.06	(1)
Germany	2.42	2.43	1
Japan	1.04	1.04	0
China	2.26	2.27	1
India	6.96	6.97	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 17 July 2024

Fig 4 – Short term rates

	17-07-2024	18-07-2024	change in bps
Tbill-91 days	6.78	6.73	(5)
Tbill-182 days	6.82	6.84	2
Tbill-364 days	6.87	6.86	(1)
G-Sec 2Y	6.89	6.90	1
India OIS-2M	6.65	6.63	(2)
India OIS-9M	6.71	6.70	(1)
SONIA int rate benchmark	5.20	5.20	0
US SOFR	5.35	5.35	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 17 July 2024

Fig 5 – Liquidity

Rs tn	16-07-2024	18-07-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.1)	(1.4)	(0.3)
Reverse Repo	0.5	0.7	0.2
Repo	0	0	0

Source: RBI, Bank of Baroda Research | Note: Markets in India were closed on 17 July 2024

Fig 6 – Capital market flows

	15-07-2024	16-07-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	434.8	351.5	(83.2)
Debt	35.3	152.8	117.5
Equity	399.4	198.7	(200.7)
Mutual funds (Rs cr)	70.5	(1,837.0)	(1,907.4)
Debt	1,273.6	(1,688.0)	(2,961.6)
Equity	(1,203.1)	(149.0)	1,054.2

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 12 and 15 July 2024

- Oil prices ended flat, as strong US\$ and weak demand, impacted sentiments.

Fig 7 – Commodities

	17-07-2024	18-07-2024	% change
Brent crude (US\$/bbl)	85.1	85.1	0
Gold (US\$/ Troy Ounce)	2,458.8	2,445.1	(0.6)
Copper (US\$/ MT)	9,489.6	9,254.9	(2.5)
Zinc (US\$/MT)	2,782.5	2,748.8	(1.2)
Aluminium (US\$/MT)	2,402.0	2,385.0	(0.7)

Source: Bloomberg, Bank of Baroda Research



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