

MORNING MOCHA

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ECONOMIST

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US Fed opted to keep the benchmark rate unchanged at 5.25-5% (23-year high) mark for the 8th meeting in a row. The committee unanimously agreed to hold rates and stated that they see the economy moving towards the point wherein 'it will be appropriate to reduce rate'. US Fed chair was dovish in his commentary. Separately, US private payrolls rose at a much slower pace than anticipated adding 122k jobs (155k in Jun'24). This comes ahead of the jobs report wherein total payrolls are expected to be lower in Jul'24 than last month, and no change is expected in unemployment rate (4.1%). In china, Caixin manufacturing PMI slipped in to contraction to 49.8 in Jul'24 from 51.8 in Jun'24, signalling manufacturing sector deteriorated for first time in 9-months.

- Global indices ended higher. S&P 500 surged by 1.6% amidst signals of a rate cut by Fed in Sep'24 given a cool-off in inflation. Out of 11 sectors, 7 advanced higher led by a rally in technology and consumer discretionary stocks. Nikkei rose by 1.5% given the rise in retail sales and despite a rate hike by BoJ. Sensex climbed up by 0.4% with power and metal stocks gaining the most. It is trading higher today, in line with other Asian indices.

Fig 1 – Stock markets

	30-07-2024	31-07-2024	Change, %
Dow Jones	40,743	40,843	0.2
S & P 500	5,436	5,522	1.6
FTSE	8,274	8,368	1.1
Nikkei	38,526	39,102	1.5
Hang Seng	17,003	17,345	2.0
Shanghai Comp	2,879	2,939	2.1
Sensex	81,455	81,741	0.4
Nifty	24,857	24,951	0.4

Source: Bloomberg, Bank of Baroda Research

- Except INR (flat), other global currencies ended higher against the dollar. DXY fell by (-) 0.4%, following dovish commentary in the FOMC statement and tracking dip in US sovereign yields. JPY made significant gains (4-month high), supported by BoJ action. INR ended flat, but is trading much stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	30-07-2024	31-07-2024	Change, %
EUR/USD (1 EUR / USD)	1.0815	1.0826	0.1
GBP/USD (1 GBP / USD)	1.2836	1.2856	0.2
USD/JPY (JPY / 1 USD)	152.77	149.98	1.9
USD/INR (INR / 1 USD)	83.73	83.73	0
USD/CNY (CNY / 1 USD)	7.2410	7.2267	0.2

Source: Bloomberg, Bank of Baroda



- Barring Japan and China (higher), other major global 10Y yields closed sharply lower. US 10Y yield fell the most by 11bps, as Fed Chair Powell confirmed that there is a possibility of a rate cut in Sep'24. Japan's 10Y yield reacted to rate hike by BoJ and its more than expected hawkish tone. Following global cues, India's 10Y yield also fell, by 1bps. It is trading further lower today at 6.91%.

Fig 3 – Bond 10Y yield

	30-07-2024	31-07-2024	Change, bps
US	4.14	4.03	(11)
UK	4.04	3.97	(7)
Germany	2.34	2.30	(4)
Japan	1.00	1.06	5
China	2.14	2.15	1
India	6.93	6.93	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	30-07-2024	31-07-2024	change in bps
Tbill-91 days	6.62	6.61	(1)
Tbill-182 days	6.78	6.77	(1)
Tbill-364 days	6.79	6.78	(1)
G-Sec 2Y	6.82	6.80	(2)
India OIS-2M	6.62	6.63	0
India OIS-9M	6.67	6.68	1
SONIA int rate benchmark	5.20	5.20	0
US SOFR	5.35	5.33	(2)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	30-07-2024	31-07-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.3)	(1.6)	(0.3)
Reverse Repo	0.7	0.9	0.2
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	29-07-2024	30-07-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(40.2)	(174.0)	(133.8)
Debt	285.4	168.3	(117.1)
Equity	(325.6)	(342.3)	(16.7)
Mutual funds (Rs cr)	816.6	3,321.9	2,505.2
Debt	(2,184.4)	295.1	2,479.5
Equity	3,001.0	3,026.8	25.8

Source: Bloomberg, Bank of Baroda Research, Note: MF data as of 25th and 26th Jul

- Oil prices inched up, given increased geopolitical tensions in Middle East.

Fig 7 – Commodities

	30-07-2024	31-07-2024	% change
Brent crude (US\$/bbl)	78.6	80.7	2.7
Gold (US\$/ Troy Ounce)	2,410.8	2,447.6	1.5
Copper (US\$/ MT)	8,842.9	9,102.3	2.9
Zinc (US\$/MT)	2,571.2	2,615.6	1.7
Aluminium (US\$/MT)	2,224.5	2,290.5	3.0

Source: Bloomberg, Bank of Baroda Research



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