

MORNING MOCHA

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ECONOMIST
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Global yields showed some softening bias led by US as positions are unwinding ahead of Fed Chair's speech. Fed minutes is also scheduled to be released. The undertone is crucial to absorb signals about future course of rate action. Fed Official (Michelle Bowman) also hinted that it would be appropriate to gradually start lowering rates, to avoid monetary policy becoming restrictive. In other macro releases, Eurozone inflation rose a tad higher than expectation by 2.6% (est.: 2.5%), albeit core remaining steady at 2.9%. In a separate report, Germany's central bank flagged persistent pressure on inflation emanating from a steady wage growth. In Japan, exports rose less than expected by 10.3% (est.: 11.5%) and imports grew more than expected by 16.6% (est.: 14.6%), thus widening the trade deficit. On domestic front, Kharif acreage picked up led by cereals and pulses, which is going to be comforting on inflationary front, going ahead.

- Barring Nikkei, stocks moderated. A cautious approach is seen ahead of Fed Chair's speech. Technology stocks have also contributed to the downward rally. Nikkei inched up as expectation built up over some cues on currency and interest rate movement ahead of BoJ Governor's testimony. Sensex inched up, led by banking stocks. It is trading lower today, in line with Asian stocks.

Fig 1 – Stock markets

	19-08-2024	20-08-2024	Change, %
Dow Jones	40,897	40,835	(0.2)
S & P 500	5,608	5,597	(0.2)
FTSE	8,357	8,273	(1.0)
Nikkei	37,389	38,063	1.8
Hang Seng	17,570	17,511	(0.3)
Shanghai Comp	2,894	2,867	(0.9)
Sensex	80,425	80,803	0.5
Nifty	24,573	24,699	0.5

Source: Bloomberg, Bank of Baroda Research

- Global currencies appreciated supported by a weaker dollar. DXY fell by 0.4%. JPY appreciated the most due to unwinding of positions followed by EUR as inflation data of the region showed some stickiness. INR appreciated marginally. It is trading lower today, while Asian currencies are trading higher.

Fig 2 – Currencies

	19-08-2024	20-08-2024	Change, %
EUR/USD (1 EUR / USD)	1.1085	1.1130	0.4
GBP/USD (1 GBP / USD)	1.2991	1.3034	0.3
USD/JPY (JPY / 1 USD)	146.59	145.26	0.9
USD/INR (INR / 1 USD)	83.87	83.79	0.1
USD/CNY (CNY / 1 USD)	7.1395	7.1293	0.1

Source: Bloomberg, Bank of Baroda



- Global yields edged down. US 10Y yield moderated considerably as expectations entrenched over easier monetary conditions. Even Germany's 10Y yield softened as inflation data came in line with expectations. China's 10Y yield closed stable awaiting monetary stimulus from PBOC. India's 10Y yield closed a tad lower and is trading at 6.85% today.

Fig 3 – Bond 10Y yield

	19-08-2024	20-08-2024	Change, bps
US	3.87	3.81	(6)
UK	3.92	3.92	(1)
Germany	2.25	2.22	(3)
Japan	0.89	0.89	0
China	2.18	2.17	0
India	6.87	6.86	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	19-08-2024	20-08-2024	change in bps
Tbill-91 days	6.57	6.65	8
Tbill-182 days	6.70	6.69	(1)
Tbill-364 days	6.72	6.71	(1)
G-Sec 2Y	6.76	6.75	(1)
India OIS-2M	6.59	6.59	0
India OIS-9M	6.55	6.55	0
SONIA int rate benchmark	4.95	4.95	0
US SOFR	5.32	5.32	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	19-08-2024	20-08-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.2)	(1.3)	0.1
Reverse Repo	0.1	0.4	0.3
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	16-08-2024	19-08-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	197.3	71.4	(126.0)
Debt	54.8	280.7	225.8
Equity	142.5	(209.3)	(351.8)
Mutual funds (Rs cr)	2,500.6	(735.6)	(3,236.1)
Debt	1,605.9	(3,624.0)	(5,229.8)
Equity	894.7	2,888.4	1,993.7

Source: Bloomberg, Bank of Baroda Research | Note: Data for Mutual Funds as of 14 Aug and 16 Aug 2024

- Oil prices inched down amidst built up in US crude stocks.

Fig 7 – Commodities

	19-08-2024	20-08-2024	% change
Brent crude (US\$/bbl)	77.7	77.2	(0.6)
Gold (US\$/ Troy Ounce)	2,504.3	2,514.0	0.4
Copper (US\$/ MT)	9,142.6	9,085.8	(0.6)
Zinc (US\$/MT)	2,733.1	2,751.1	0.7
Aluminium (US\$/MT)	2,445.5	2,502.0	2.3

Source: Bloomberg, Bank of Baroda Research



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