

MORNING MOCHA

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ECONOMIST

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US Fed minutes reflected a dovish tone with majority of FOMC members acknowledging that easier monetary policy condition is warranted in the wake of recent softening of inflation data. FOMC members also noted that some strain in labour market conditions might be building up. To complement that, in a separate release, a preliminary estimate of Bureau of Labour Statistics noted downward revision (818K for 12-months through Mar) of number of workers on payroll. Notably, this was the steepest revision since CY09. Indeed, this has strengthened the case of Fed embarking on rate cut cycle sooner. In other macro releases, Japan's flash PMI indicated recovery driven by services activity, while manufacturing is marginally trailing behind. In UK, public sector borrowing in Jul outweighed expectations. On domestic front, EPFO data highlighted slight moderation in new formal jobs.

- Global stocks closed mixed. Asian stocks moderated led by liquidity dynamics. Market jitters also prevailed monitoring Fed minutes and ahead of Fed Chair's speech and BoJ Governor's testimony. Hang Seng fell the most followed by Shanghai Comp. US stocks inched up supported by technology driven rally. Sensex rose a tad led by consumer durables stocks. It is trading further higher today, in line with Asian stocks (supported by Bank of Korea's dovish tone).

Fig 1 – Stock markets

	20-08-2024	21-08-2024	Change, %
Dow Jones	40,835	40,890	0.1
S & P 500	5,597	5,621	0.4
FTSE	8,273	8,283	0.1
Nikkei	38,063	37,952	(0.3)
Hang Seng	17,511	17,391	(0.7)
Shanghai Comp	2,867	2,857	(0.4)
Sensex	80,803	80,905	0.1
Nifty	24,699	24,770	0.3

Source: Bloomberg, Bank of Baroda Research

- DXY continued to soften and fell by 0.4%, as rate cut expectations is getting solidified with data in hand. GBP appreciated the most as stickier public sector borrowing raised concerns of higher rates. INR depreciated led by moderation in debt flows of FII. It is trading lower today, in line with Asian currencies.

Fig 2 – Currencies

	20-08-2024	21-08-2024	Change, %
EUR/USD (1 EUR / USD)	1.1130	1.1150	0.2
GBP/USD (1 GBP / USD)	1.3034	1.3091	0.4
USD/JPY (JPY / 1 USD)	145.26	145.21	0
USD/INR (INR / 1 USD)	83.79	83.93	(0.2)
USD/CNY (CNY / 1 USD)	7.1293	7.1314	0

Source: Bloomberg, Bank of Baroda



- Global yields softened as sentiments reigned in over starting of rate cut cycle by Fed in Sep'24. 10Y yields of Germany, UK also followed US in the downward rally. ECB Official (Fabio Panetta) also spoke of loosening monetary policy in future. India's 10Y yield closed stable and is trading at 6.85%, today.

Fig 3 – Bond 10Y yield

	20-08-2024	21-08-2024	Change, bps
US	3.81	3.80	(1)
UK	3.92	3.89	(2)
Germany	2.22	2.19	(2)
Japan	0.89	0.88	(1)
China	2.17	2.17	0
India	6.86	6.86	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	20-08-2024	21-08-2024	change in bps
Tbill-91 days	6.65	6.63	(2)
Tbill-182 days	6.69	6.72	3
Tbill-364 days	6.71	6.72	1
G-Sec 2Y	6.75	6.76	0
India OIS-2M	6.59	6.60	1
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	20-08-2024	21-08-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.3)	(0.8)	(0.5)
Reverse Repo	0.4	0.4	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	19-08-2024	20-08-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	71.4	589.3	517.9
Debt	280.7	107.7	(173.0)
Equity	(209.3)	481.6	690.9
Mutual funds (Rs cr)	(735.6)	190.4	925.9
Debt	(3,624.0)	(1,305.0)	2,318.9
Equity	2,888.4	1,495.4	(1,393.0)

Source: Bloomberg, Bank of Baroda Research | Note: Data for Mutual Funds as of 19 Aug and 16 Aug 2024

- Oil prices moderated buoyed by weaker demand conditions.

Fig 7 – Commodities

	20-08-2024	21-08-2024	% change
Brent crude (US\$/bbl)	77.2	76.1	(1.5)
Gold (US\$/ Troy Ounce)	2,514.0	2,512.6	(0.1)
Copper (US\$/ MT)	9,085.8	9,136.1	0.6
Zinc (US\$/MT)	2,751.1	2,801.0	1.8
Aluminium (US\$/MT)	2,502.0	2,487.0	(0.6)

Source: Bloomberg, Bank of Baroda Research



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