

## MORNING MOCHA

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Markets remained vigilant ahead of Fed Chair's speech. Many officials (Boston and Philadelphia Fed Chief) acknowledged that Fed should be on the cusp of lowering rates albeit in a gradual manner. Now market dynamics will be contingent on the quantum of cut. Amongst major macro releases, flash global PMI readings showed manufacturing still trailing behind in Germany and US, while services activity holding up. In the US, jobless claims remained in line with estimates, inching up moderately compared to last week. Existing home picked up. Elsewhere, BoJ's Governor remained cautiously hawkish. However, inflation readings of the region showed some stickiness for the month. On domestic front, RBI minutes reiterated that policy should be disinflationary as growth remains on strong footing.

- Global indices ended mixed. Stocks in US declined as macro data signalled a downturn in economic activity. Technology shares led the decline. Stocks in Asia were broadly higher, except for China. Reports of fresh EU tariffs on Chinese EVs weighed on Shanghai Comp. Sensex gained, led by consumer durables and metal stocks. It is trading further higher today, while other Asian stocks are trading lower.

**Fig 1 – Stock markets**

	21-08-2024	22-08-2024	Change, %
Dow Jones	40,890	40,713	(0.4)
S & P 500	5,621	5,571	(0.9)
FTSE	8,283	8,288	0.1
Nikkei	37,952	38,211	0.7
Hang Seng	17,391	17,641	1.4
Shanghai Comp	2,857	2,849	(0.3)
Sensex	80,905	81,053	0.2
Nifty	24,770	24,812	0.2

Source: Bloomberg, Bank of Baroda Research

- Global currencies broadly depreciated. After declining for 4-straight sessions, DXY rose by 0.5% ahead of Fed Chair's speech. Despite positive data (flash PMI), both EUR and GBP depreciated against the dollar. INR was marginally weaker tracking global cues and higher oil prices. However, it is trading stronger today, in line with other Asian currencies.

**Fig 2 – Currencies**

	21-08-2024	22-08-2024	Change, %
EUR/USD (1 EUR / USD)	1.1150	1.1112	(0.3)
GBP/USD (1 GBP / USD)	1.3091	1.3091	0
USD/JPY (JPY / 1 USD)	145.21	146.29	(0.7)
USD/INR (INR / 1 USD)	83.93	83.95	0
USD/CNY (CNY / 1 USD)	7.1314	7.1470	(0.2)

Source: Bloomberg, Bank of Baroda



- Global yields closed mixed. UK's 10Y yield rose at the sharpest pace as concerns over elevated borrowing capped yield. US and Germany's 10Y yield also inched up as cautiousness prevailed ahead of speech by major central bank officials. China's 10Y yield softened amidst expectations of monetary easing. India's 10Y yield closed stable and is trading at the same level today.

**Fig 3 – Bond 10Y yield**

	21-08-2024	22-08-2024	Change, bps
US	3.80	3.85	5
UK	3.89	3.96	7
Germany	2.19	2.24	5
Japan	0.88	0.88	0
China	2.17	2.16	(2)
India	6.86	6.85	0

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	21-08-2024	22-08-2024	change in bps
Tbill-91 days	6.63	6.62	(1)
Tbill-182 days	6.72	6.71	(1)
Tbill-364 days	6.72	6.71	(1)
G-Sec 2Y	6.76	6.75	0
India OIS-2M	6.60	6.60	0
India OIS-9M	6.55	6.54	0
SONIA int rate benchmark	4.95	4.95	0
US SOFR	5.32	5.31	(1)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	21-08-2024	22-08-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.8)	(1.0)	0.2
Reverse Repo	0.4	0.4	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	20-08-2024	21-08-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	589.3	(3.3)	(592.6)
Debt	107.7	48.0	(59.7)
Equity	481.6	(51.3)	(532.9)
Mutual funds (Rs cr)	190.4	(559.5)	(749.8)
Debt	(1,305.0)	(3,235.0)	(1,929.9)
Equity	1,495.4	2,675.5	1,180.1

Source: Bloomberg, Bank of Baroda Research | Note: Data for Mutual Funds as of 19 Aug and 20 Aug 2024

- Oil prices edged up as bets of a Fed rate cut in Sep'24 solidified.

**Fig 7 – Commodities**

	21-08-2024	22-08-2024	% change
Brent crude (US\$/bbl)	76.1	77.2	1.5
Gold (US\$/ Troy Ounce)	2,512.6	2,484.8	(1.1)
Copper (US\$/ MT)	9,136.1	9,010.3	(1.4)
Zinc (US\$/MT)	2,801.0	2,817.4	0.6
Aluminium (US\$/MT)	2,487.0	2,480.0	(0.3)

Source: Bloomberg, Bank of Baroda Research



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