

MORNING MOCHA

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ECONOMIST
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According to the Conference Board, consumer confidence index in the US scaled up to 103.3 in Aug'24 (highest level in 6-months) from 101.9 in Jul'24. The better than expected reading reflected consumers' optimism about the current condition and future economic outlook, with the survey suggesting that the odds of recession continue to fall. However, consumers were relatively less confident about the job market with the labour market differential dropping down to 16.4 in Aug'24. Separately, inflation in Australia eased to 3.5% in Jul'24 (lowest since Mar'24) from 3.8% in Jun'24. The moderation was led by housing (6.9% from 7.1%), transport (3.4% from 4.2%). In Japan, Deputy Governor of BoJ noted that they will closely monitor financial market and continue with raising rates given inflation stayed on course.

- Global indices ended mixed. S&P 500 inched up awaiting key quarterly earnings report and economic data that will offer further guidance on rates outlook. Nikkei rebounded and ended in green led by gains in financial services and shipbuilding stocks. Sensex ended flat. It is trading lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	26-08-2024	27-08-2024	Change, %
Dow Jones	41,241	41,251	0
S & P 500	5,617	5,626	0.2
FTSE	8,328	8,345	0.2
Nikkei	38,110	38,289	0.5
Hang Seng	17,799	17,875	0.4
Shanghai Comp	2,856	2,849	(0.2)
Sensex	81,698	81,712	0
Nifty	25,011	25,018	0

Source: Bloomberg, Bank of Baroda Research Note: UK markets were closed on 26.8.24

- Barring INR and CNY (flat), other global currencies ended higher against the US\$. DXY fell by 0.3%, as uncertainty around quantum of Fed rate cut in Sep'24 still remains. GBP and JPY appreciated the most. Sterling's strength was supported by rise in treasury yields, pushing it to ~2.5 year high. INR ended flat. It is trading a tad lower today, while other currencies are trading mixed.

Fig 2 – Currencies

	26-08-2024	27-08-2024	Change, %
EUR/USD (1 EUR / USD)	1.1161	1.1184	0.2
GBP/USD (1 GBP / USD)	1.3214	1.3261	0.4
USD/JPY (JPY / 1 USD)	144.53	143.96	0.4
USD/INR (INR / 1 USD)	83.90	83.93	0
USD/CNY (CNY / 1 USD)	7.1220	7.1238	0

Source: Bloomberg, Bank of Baroda Note: UK markets were closed on 26.8.24



- Except Japan (lower), other global yields closed higher. 10Y yields in UK and Germany rose the most. BoE Governor Bailey's remarks suggesting that policy rates may need to remain restrictive for long, impacted investor sentiments. US 10Y yield was up by 1bps, following rise in consumer confidence. India's 10Y yield rose by 1bps. However, it is trading flat today, tracking dip in oil prices.

Fig 3 – Bond 10Y yield

	26-08-2024	27-08-2024	Change, bps
US	3.82	3.82	1
UK	3.91	4.00	9
Germany	2.25	2.29	4
Japan	0.89	0.88	(1)
China	2.16	2.19	2
India	6.85	6.86	1

Source: Bloomberg, Bank of Baroda Research Note: UK markets were closed on 26.8.24

Fig 4 – Short term rates

	26-08-2024	27-08-2024	change in bps
Tbill-91 days	6.62	6.61	(1)
Tbill-182 days	6.70	6.70	0
Tbill-364 days	6.71	6.70	(1)
G-Sec 2Y	6.76	6.76	0
India OIS-2M	6.59	6.59	0
India OIS-9M	6.52	6.53	1
SONIA int rate benchmark	4.95	4.95	0
US SOFR	5.33	5.34	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	26-08-2024	27-08-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.8)	(1.0)	(0.2)
Reverse Repo	0.2	0.5	0.3
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	23-08-2024	26-08-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	643.8	359.7	(284.1)
Debt	180.9	244.1	63.2
Equity	462.8	115.6	(347.2)
Mutual funds (Rs cr)	(1,712.7)	2,962.9	4,675.6
Debt	(4,852.7)	(131.3)	4,721.4
Equity	3,140.1	3,094.2	(45.8)

Source: Bloomberg, Bank of Baroda Research | Note: Data for Mutual Funds as of 21 Aug and 22 Aug 2024

- Oil prices fell, driven by uncertainty around demand boost (Fed rate cuts).

Fig 7 – Commodities

	26-08-2024	27-08-2024	% change
Brent crude (US\$/bbl)	81.4	79.6	(2.3)
Gold (US\$/ Troy Ounce)	2,518.0	2,524.6	0.3
Copper (US\$/ MT)	9,173.4	9,326.5	1.7
Zinc (US\$/MT)	2,868.0	2,895.5	1.0
Aluminium (US\$/MT)	2,542.0	2,549.5	0.3

Source: Bloomberg, Bank of Baroda Research Note: UK markets were closed on 26.8.24



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