

MORNING MOCHA

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ECONOMIST
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The US Fed official Bostic, in his remarks noted that its 'time to move' on rate cuts, however he was cautious and stated he will closely monitor the upcoming jobs and inflation reports before moving ahead with any decision. Separately, business confidence in New Zealand accelerated to a decade high to 50.6 in Aug'24 from 27.1 in Jul'24. The activity index also jumped to 7-year high to 37.1 (previously 16.3). In Israel, the Central Bank maintained status quo on rates for the 5th straight month at 4.5%. Investors will await US GDP print, weekly jobless claims data, along with PCE data. Additionally, inflation reading from Eurozone will offer more guidance on interest rate outlook.

- Global equity indices ended mixed. US indices ended in red in anticipation of the earnings report by a technology major. However, the disappointing quarterly earnings report of NVidia failed to meet investor expectations and is likely to impact the market in the upcoming session, raising concerns for similar industries operating in this field. Sensex edged up supported by a strong rally in IT stocks and it is trading mixed today. Other Asian stocks are trading lower.

Fig 1 – Stock markets

	27-08-2024	28-08-2024	Change, %
Dow Jones	41,251	41,091	(0.4)
S & P 500	5,626	5,592	(0.6)
FTSE	8,345	8,344	0
Nikkei	38,289	38,372	0.2
Hang Seng	17,875	17,692	(1.0)
Shanghai Comp	2,849	2,837	(0.4)
Sensex	81,712	81,786	0.1
Nifty	25,018	25,052	0.1

Source: Bloomberg, Bank of Baroda Research

- Barring INR (flat), other global currencies ended lower against the US\$. DXY jumped sharply by 0.5%. EUR and GBP depreciated the most. A part of the US\$ strength can be attributed to month end inflows. Lower probability of super-sized cut by Fed in Sep'24 has also helped the US\$. INR ended flat. However, it is trading higher today, in line with other Asian currencies.

Fig 2 – Currencies

	27-08-2024	28-08-2024	Change, %
EUR/USD (1 EUR / USD)	1.1184	1.1120	(0.6)
GBP/USD (1 GBP / USD)	1.3261	1.3191	(0.5)
USD/JPY (JPY / 1 USD)	143.96	144.59	(0.4)
USD/INR (INR / 1 USD)	83.93	83.96	0
USD/CNY (CNY / 1 USD)	7.1238	7.1279	(0.1)

Source: Bloomberg, Bank of Baroda



- Major global yields closed mixed. 10Y yields in US and Japan inched up, while they fell in Germany and China. Investors await US PCE and GDP data for direction. India's 10Y yield ended flat, despite drop in international oil prices. It is trading unchanged at 6.86% even today, awaiting global cues.

Fig 3 – Bond 10Y yield

	27-08-2024	28-08-2024	Change, bps
US	3.82	3.83	1
UK	4.00	4.00	0
Germany	2.29	2.26	(3)
Japan	0.88	0.90	2
China	2.19	2.18	(1)
India	6.86	6.86	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	27-08-2024	28-08-2024	change in bps
Tbill-91 days	6.61	6.63	2
Tbill-182 days	6.70	6.72	2
Tbill-364 days	6.70	6.72	2
G-Sec 2Y	6.76	6.76	0
India OIS-2M	6.59	6.59	0
India OIS-9M	6.53	6.53	0
SONIA int rate benchmark	4.95	4.95	0
US SOFR	5.34	5.35	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	27-08-2024	28-08-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.0)	(0.9)	0.1
Reverse Repo	0.5	0.5	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	26-08-2024	27-08-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	359.7	655.3	295.6
Debt	244.1	84.1	(160.0)
Equity	115.6	571.2	455.6
Mutual funds (Rs cr)	(1,029.3)	1,076.0	2,105.3
Debt	(3,094.8)	(931.9)	2,162.9
Equity	2,065.5	2,007.9	(57.6)

Source: Bloomberg, Bank of Baroda Research | Note: Data for Mutual Funds as of 23 Aug and 26 Aug 2024

- Oil prices fell further, dragged by lower than expected decline in US inventories.

Fig 7 – Commodities

	27-08-2024	28-08-2024	% change
Brent crude (US\$/bbl)	79.6	78.7	(1.1)
Gold (US\$/ Troy Ounce)	2,524.6	2,504.6	(0.8)
Copper (US\$/ MT)	9,326.5	9,130.0	(2.1)
Zinc (US\$/MT)	2,895.5	2,829.7	(2.3)
Aluminium (US\$/MT)	2,549.5	2,496.0	(2.1)

Source: Bloomberg, Bank of Baroda Research



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