

MORNING MOCHA

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ECONOMIST
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US economy rose at a much faster pace than anticipated with the GDP growth for Q2 revised upwards to 3% (previously 2.8%) from 1.4% in Q1 led by robust consumer spending which accounts for 2/3rd of the economy. Additionally, weekly jobless claims dropped down to 231k for week ending 24 Aug and have retreated back from 11-month high claims noted in Jul'24. The data has tempered down expectation of 50bps rate cuts by Fed in the upcoming meet. Separately in Japan, core inflation for Tokyo accelerated to 2.4% in Aug'24 from 2.2% in Jul'24. Inflation continues to remain above the 2% central bank target and thereby raising the possibility of more rate hikes in the coming months. On domestic front, India's GDP print for Q1FY25 (our expectation is 7.3%), core, fiscal and sectoral bank credit data is due to release later today.

- Barring Shanghai Comp, other global equity indices ended higher. Dow Jones closed at a record high supported by strong data. Hang Seng and FTSE edged up by 0.5% and 0.4%. Sensex too ended in green led by strong gains in oil & gas stocks. It is trading higher today in line with other Asian stocks.

Fig 1 – Stock markets

	28-08-2024	29-08-2024	Change, %
Dow Jones	41,091	41,335	0.6
S & P 500	5,592	5,592	0
FTSE	8,344	8,380	0.4
Nikkei	38,372	38,363	0
Hang Seng	17,692	17,786	0.5
Shanghai Comp	2,837	2,823	(0.5)
Sensex	81,786	82,135	0.4
Nifty	25,052	25,152	0.4

Source: Bloomberg, Bank of Baroda Research

- Barring INR and CNY (higher), other global currencies ended lower against the US\$. While US\$ was supported by macro data pointing that US may avoid a recession, EUR was impacted by lower than expected German CPI print. This increases the chance of ECB rate cut. INR rose by 0.1%, despite increase in oil prices. It is trading a tad higher today, in line with other Asian currencies.

Fig 2 – Currencies

	28-08-2024	29-08-2024	Change, %
EUR/USD (1 EUR / USD)	1.1120	1.1077	(0.4)
GBP/USD (1 GBP / USD)	1.3191	1.3168	(0.2)
USD/JPY (JPY / 1 USD)	144.59	144.99	(0.3)
USD/INR (INR / 1 USD)	83.96	83.87	0.1
USD/CNY (CNY / 1 USD)	7.1279	7.0970	0.4

Source: Bloomberg, Bank of Baroda



- Except Asian economies, global yields inched up elsewhere. 10Y yields in US and UK rose the most. Investors reacted to better than expected GDP data and steady labour market condition. It is now believed that Fed may opt for a smaller rate cut in Sep'24. India's 10Y yield ended flat. However, following global cues, it is trading a tad higher at 6.87%. Domestic GDP data is also awaited.

Fig 3 – Bond 10Y yield

	28-08-2024	29-08-2024	Change, bps
US	3.83	3.86	3
UK	4.00	4.02	2
Germany	2.26	2.27	1
Japan	0.90	0.90	0
China	2.18	2.17	(1)
India	6.86	6.86	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	28-08-2024	29-08-2024	change in bps
Tbill-91 days	6.63	6.62	(1)
Tbill-182 days	6.72	6.69	(3)
Tbill-364 days	6.72	6.70	(2)
G-Sec 2Y	6.76	6.76	0
India OIS-2M	6.59	6.60	1
India OIS-9M	6.53	6.53	0
SONIA int rate benchmark	4.95	4.95	0
US SOFR	5.35	5.35	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	28-08-2024	29-08-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.9)	(1.0)	(0.1)
Reverse Repo	0.5	0.6	0.1
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	27-08-2024	28-08-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	655.3	182.6	(472.7)
Debt	84.1	247.9	163.7
Equity	571.2	(65.3)	(636.4)
Mutual funds (Rs cr)	1,076.0	(1,361.1)	(2,437.1)
Debt	(931.9)	(1,627.2)	(695.3)
Equity	2,007.9	266.1	(1,741.8)

Source: Bloomberg, Bank of Baroda Research | Note: Data for Mutual Funds as of 26 Aug and 27 Aug 2024

- Oil prices surged again amidst concerns around supply disruptions from Libya.

Fig 7 – Commodities

	28-08-2024	29-08-2024	% change
Brent crude (US\$/bbl)	78.7	79.9	1.6
Gold (US\$/ Troy Ounce)	2,504.6	2,521.4	0.7
Copper (US\$/ MT)	9,130.0	9,125.6	0
Zinc (US\$/MT)	2,829.7	2,828.2	(0.1)
Aluminium (US\$/MT)	2,496.0	2,457.5	(1.5)

Source: Bloomberg, Bank of Baroda Research



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