

MORNING MOCHA

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ECONOMIST

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In a data jammed week, investors will closely look for signals or a dovish tone from the upcoming policy meet by Fed. Additionally, there is some uncertainty around policy decision by Bank of England with 50% chance of a 25bps rate cut. Inflation in UK has been near the target of 2% for both May'24 and Jun'24 but there some concerns around underlying price pressure including wage growth, labour market and service inflation. In a policy divergence, BoJ is expected to begin with the policy normalisation which is expected to be gradual. Investors are pricing, rate hike of 10 bps in the upcoming meet. This is expected to have an impact on the currency.

- Major global indices ended mixed. Investors turned their focus towards the trio of central bank meeting, US jobs report and earnings report. S&P 500 ended in green with the biggest jump noted in the consumer discretionary index, amongst 11-sectoral indices. Nikkei surged by 2.1% amidst the news of alliance between automobile makers and was further supported by a rally in chip-related stocks. Sensex is trading flat today, while other Asian indices are trading lower.

Fig 1 – Stock markets

	26-07-2024	29-07-2024	Change, %
Dow Jones	40,589	40,540	(0.1)
S & P 500	5,459	5,464	0.1
FTSE	8,286	8,292	0.1
Nikkei	37,667	38,469	2.1
Hang Seng	17,021	17,238	1.3
Shanghai Comp	2,891	2,892	0
Sensex	81,333	81,356	0
Nifty	24,835	24,836	0

Source: Bloomberg, Bank of Baroda Research

- Except INR and GBP (flat), other global currencies closed lower against the dollar. DXY was up by 0.2%, as investors remain on edge regarding rate decisions to be announced by BoJ (expected hike) and BoE (split between rate cut and rate on hold). Fed Chair remarks are also awaited. INR is trading a tad higher today, in line with other Asian currencies.

Fig 2 – Currencies

	26-07-2024	29-07-2024	Change, %
EUR/USD (1 EUR / USD)	1.0856	1.0821	(0.3)
GBP/USD (1 GBP / USD)	1.2867	1.2862	0
USD/JPY (JPY / 1 USD)	153.76	154.02	(0.2)
USD/INR (INR / 1 USD)	83.73	83.74	0
USD/CNY (CNY / 1 USD)	7.2505	7.2603	(0.1)

Source: Bloomberg, Bank of Baroda

- Global 10Y yields closed lower. Yields in UK, Germany and Japan fell the most. Investors keenly await Central Bank decisions of BoE, BoJ and Fed. More



clarity on quantum and timing of Fed rate cuts is awaited. Following global cues and dip in oil prices, India's 10Y yield was down by 2bps. It is trading even lower today at 7.91%.

Fig 3 – Bond 10Y yield

	26-07-2024	29-07-2024	Change, bps
US	4.19	4.17	(2)
UK	4.10	4.05	(5)
Germany	2.41	2.36	(5)
Japan	1.07	1.03	(4)
China	2.19	2.16	(3)
India	6.94	6.92	(2)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	26-07-2024	29-07-2024	change in bps
Tbill-91 days	6.60	6.62	2
Tbill-182 days	6.77	6.78	1
Tbill-364 days	6.78	6.79	1
G-Sec 2Y	6.76	6.82	6
India OIS-2M	6.63	6.62	(1)
India OIS-9M	6.69	6.67	(1)
SONIA int rate benchmark	5.20	5.20	0
US SOFR	5.35	5.35	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	26-07-2024	29-07-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.5)	(1.1)	0.4
Reverse Repo	0	0.2	0.2
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	25-07-2024	26-07-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(98.3)	431.2	529.6
Debt	164.2	(78.7)	(242.9)
Equity	(262.6)	509.9	772.5
Mutual funds (Rs cr)	602.4	(327.7)	(930.1)
Debt	60.4	(2,235.7)	(2,296.1)
Equity	542.1	1,908.0	1,366.0

Source: Bloomberg, Bank of Baroda Research, Note: MF data as of 23rd and 24th Jul

- Oil prices fell again, due to weak Chinese demand and relatively stable supply.

Fig 7 – Commodities

	26-07-2024	29-07-2024	% change
Brent crude (US\$/bbl)	81.1	79.8	(1.7)
Gold (US\$/ Troy Ounce)	2,387.2	2,384.2	(0.1)
Copper (US\$/ MT)	8,995.5	8,893.7	(1.1)
Zinc (US\$/MT)	2,616.9	2,583.0	(1.3)
Aluminium (US\$/MT)	2,289.0	2,250.5	(1.7)

Source: Bloomberg, Bank of Baroda Research



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