

MORNING MOCHA

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US ISM manufacturing PMI edged up marginally to 47.2 in Aug'24 from 46.8 in Jul'24, but remained firmly in the contraction zone, suggesting a continued weakness in the manufacturing sector. This kicks off a crucial data-heavy week preceding the Fed meeting, with US services PMI and jobs report also due. While a rate cut has been fully priced in, uncertainty still remains over its quantum. As per the CME FedWatch Tool, the probability of a 25bps rate cut stands at 59%, and for a 50bps cut at 41%. Separately, CPI inflation in South Korea eased to its lowest in 3.5 years at 2% from 2.6% in Jul'24, paving way for future rate cuts. In Australia, GDP growth missed estimates and increased by 0.2% (est. 0.3%) in Q2 2025, unchanged from Q1 (QoQ basis). World Bank revised India's GDP forecast for FY25 upwards to 7% from 6.6% estimated earlier. This will be supported by a pickup in private investment, recovery in agriculture and declining inflation.

- Global indices closed lower. The global equity sell-off was led by US stocks as US manufacturing activity remained weak. Asian markets were dragged down by a slump in stocks of chipmakers. A firmer dollar also weighed on sentiments. S&P 500 fell the most, followed by Dow and FTSE. Sensex closed flat. It is trading lower today, in line with other Asian stocks

Fig 1 – Stock markets

	02-09-2024	03-09-2024	Change, %
Dow Jones	41,563	40,937	(1.5)
S & P 500	5,648	5,529	(2.1)
FTSE	8,364	8,298	(0.8)
Nikkei	38,701	38,686	0
Hang Seng	17,692	17,651	(0.2)
Shanghai Comp	2,811	2,803	(0.3)
Sensex	82,560	82,555	0
Nifty	25,279	25,280	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in US were closed on 2 Sep 2024

- Global currencies ended mixed. DXY rose by 0.2% as investors await US jobs report. JPY strengthened by 1% supported by hawkish comments from BoJ Governor. INR depreciated and continued to hover around a lifetime low. It is trading at similar levels today; Asian currencies are trading mostly weaker.

Fig 2 – Currencies

	02-09-2024	03-09-2024	Change, %
EUR/USD (1 EUR / USD)	1.1072	1.1043	(0.3)
GBP/USD (1 GBP / USD)	1.3146	1.3114	(0.2)
USD/JPY (JPY / 1 USD)	146.92	145.48	1.0
USD/INR (INR / 1 USD)	83.93	83.97	0
USD/CNY (CNY / 1 USD)	7.1173	7.1217	(0.1)

Source: Bloomberg, Bank of Baroda



- Global yields closed mixed. Risk-off sentiment led to higher demand for US treasury yields. Thus, US 10Y yield fell by 7bps. 10Y yields in UK and Germany also declined. In UK, 10Y yield declined despite a firmer BRC shop price data. Japan's 10Y yield inched a tad as expectations linger over policy tightening. India's 10Y yield closed stable and is trading at 6.86%.

Fig 3 – Bond 10Y yield

	02-09-2024	03-09-2024	Change, bps
US	3.90	3.83	(7)
UK	4.06	3.99	(6)
Germany	2.34	2.28	(6)
Japan	0.91	0.93	1
China	2.15	2.15	0
India	6.88	6.87	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	02-09-2024	03-09-2024	change in bps
Tbill-91 days	6.63	6.64	1
Tbill-182 days	6.70	6.71	1
Tbill-364 days	6.68	6.72	4
G-Sec 2Y	6.76	6.77	2
India OIS-2M	6.60	6.60	0
India OIS-9M	6.55	6.55	0
SONIA int rate benchmark	4.95	4.95	0
US SOFR	5.33	5.32	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	02-09-2024	03-09-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.2)	(2.5)	(0.3)
Reverse Repo	0.2	0.6	0.4
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	30-08-2024	02-09-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	199.4	691.1	491.7
Debt	20.1	4.4	(15.7)
Equity	179.3	686.7	507.4
Mutual funds (Rs cr)	(3,509.9)	(6,150.3)	(2,640.5)
Debt	(2,320.1)	(3,403.2)	(1,083.1)
Equity	(1,189.7)	(2,747.1)	(1,557.3)

Source: Bloomberg, Bank of Baroda Research | Note: Data for Mutual Funds as of 29 Aug and 30 Aug 2024

- Oil prices fell further amid expectations of a resumption of Libyan supplies.

Fig 7 – Commodities

	02-09-2024	03-09-2024	% change
Brent crude (US\$/bbl)	78.8	77.5	(1.6)
Gold (US\$/ Troy Ounce)	2,503.4	2,499.5	(0.2)
Copper (US\$/ MT)	9,118.1	9,057.3	(0.7)
Zinc (US\$/MT)	2,846.7	2,790.4	(2.0)
Aluminium (US\$/MT)	2,447.0	2,424.0	(0.9)

Source: Bloomberg, Bank of Baroda Research



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