

**MORNING MOCHA**

07 August 2024

 ECONOMIST  
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Global markets recovered after a sharp sell-off at the start of the week as investors assessed the global economic outlook and monetary policy. Investors sought comfort from dovish statements from Fed officials who insisted that the weakening momentum in US labour market is not necessarily a harbinger of a recession. Volatility in the markets is likely to remain high amid an unwinding of the yen carry trade post the BoJ rate hike and hawkish comments from BoJ Governor. However, recent comments from BoJ Deputy Governor downplaying future rate hikes in times of market volatility should help ease some nerves. In India, INR continues to slump to fresh record lows amid persistent equity outflows. RBI is likely to keep a steady watch on the market developments while focusing on the inflation mandate. We expect status quo in policy rate and stance in the RBI meeting.

- Global indices recovered, supported by Nikkei which rose by 10.2%. Some realignment of expectations took place amidst anticipation of intervention by central bank officials in the wake of financial market volatility. Hang Seng moderated. Sensex also fell by 0.2%, led by consumer durables stocks. It is trading higher today, in line with Asian stocks.

**Fig 1 – Stock markets**

	05-08-2024	06-08-2024	Change, %
Dow Jones	38,703	38,998	0.8
S & P 500	5,186	5,240	1.0
FTSE	8,008	8,027	0.2
Nikkei	31,458	34,675	10.2
Hang Seng	16,698	16,647	(0.3)
Shanghai Comp	2,861	2,867	0.2
Sensex	78,759	78,593	(0.2)
Nifty	24,056	23,993	(0.3)

Source: Bloomberg, Bank of Baroda Research

- Global currencies depreciated as the dollar rebounded. After falling in the previous two sessions, DXY recouped some losses and rose by 0.3%. EUR depreciated as Euro Area's retail sales disappointed. INR continued to remain under pressure and slipped to a fresh low. However, it is trading stronger today, in line with other Asian currencies.

**Fig 2 – Currencies**

	05-08-2024	06-08-2024	Change, %
EUR/USD (1 EUR / USD)	1.0952	1.0931	(0.2)
GBP/USD (1 GBP / USD)	1.2776	1.2691	(0.7)
USD/JPY (JPY / 1 USD)	144.18	144.34	(0.1)
USD/INR (INR / 1 USD)	83.84	83.96	(0.1)
USD/CNY (CNY / 1 USD)	7.1396	7.1558	(0.2)

Source: Bloomberg, Bank of Baroda



- Global yields closed higher as risk-on sentiment improved after a buying spree in the last couple of trading sessions. Japan's 10Y yield rose the most by 11bps followed by US 10Y yield due to realignment of portfolio. India's 10Y yield rose by 2bps, in line with global cues. It is trading at the same level today, ahead of RBI's policy.

**Fig 3 – Bond 10Y yield**

	05-08-2024	06-08-2024	Change, bps
US	3.79	3.89	10
UK	3.87	3.92	5
Germany	2.19	2.20	1
Japan	0.79	0.90	11
China	2.15	2.15	1
India	6.86	6.88	2

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	05-08-2024	06-08-2024	change in bps
Tbill-91 days	6.62	6.60	(2)
Tbill-182 days	6.72	6.72	0
Tbill-364 days	6.74	6.73	(1)
G-Sec 2Y	6.75	6.75	1
India OIS-2M	6.54	6.56	2
India OIS-9M	6.53	6.54	1
SONIA int rate benchmark	4.95	4.95	0
US SOFR	5.35	5.32	(3)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	05-08-2024	06-08-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.9)	(2.8)	0.1
Reverse Repo	0.8	1.6	0.8
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	02-08-2024	05-08-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(171.7)	(400.8)	(229.1)
Debt	230.4	39.6	(190.9)
Equity	(402.1)	(440.4)	(38.3)
Mutual funds (Rs cr)	(2,991.8)	131.5	3,123.3
Debt	(2,943.3)	(1,501.8)	1,441.5
Equity	(48.5)	1,633.3	1,681.8

Source: Bloomberg, Bank of Baroda Research | Note: Data for Mutual Funds as of 1 Aug and 2 Aug 2024

- Oil prices inched up despite build-up in US crude and gasoline stocks.

**Fig 7 – Commodities**

	05-08-2024	06-08-2024	% change
Brent crude (US\$/bbl)	76.3	76.5	0.2
Gold (US\$/ Troy Ounce)	2,410.8	2,390.8	(0.8)
Copper (US\$/ MT)	8,765.3	8,804.0	0.4
Zinc (US\$/MT)	2,576.7	2,540.4	(1.4)
Aluminium (US\$/MT)	2,250.0	2,296.0	2.0

Source: Bloomberg, Bank of Baroda Research



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