

MORNING MOCHA

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Calm returned to the global markets after comments from BoJ Deputy Governor who pushed back against the possibility of rate hikes at a time when the markets are unstable. His comments were in sharp contrast to the BoJ Governor who indicated that more rate hikes are imminent, a statement which contributed significantly to the upheaval in global financial markets due to the unwinding of the so-called carry trade. In other news, China's export growth moderated to 7% in Jul'24 (8.6% in Jun'24), missing estimates of a 9.7% increase. However, imports increased at a much faster pace of 7.2% (est. 3.5%) after declining by 2.3% in Jun'24. Separately, industrial production in Germany increased by 1.4% in Jun'24 (YoY), beating estimates of a 1% increase. In India, RBI meeting remains key, with investors focusing specifically on RBI's assessment of the inflation trajectory.

- Barring US stocks, global indices recovered. Some comfort was provided by commentaries of BoJ officials, which pacified volatility in the financial market. FTSE rose the most followed by Hang Seng and Nikkei. Fears of recession and a drag in technology stocks, have led to moderation of Dow Jones and S&P 500. Sensex rose by 1.1%, led by oil and gas and metal stocks. It is trading lower today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	06-08-2024	07-08-2024	Change, %
Dow Jones	38,998	38,763	(0.6)
S & P 500	5,240	5,200	(0.8)
FTSE	8,027	8,167	1.7
Nikkei	34,675	35,090	1.2
Hang Seng	16,647	16,878	1.4
Shanghai Comp	2,867	2,870	0.1
Sensex	78,593	79,468	1.1
Nifty	23,993	24,298	1.3

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended broadly weakened against the dollar. DXY rose by 0.2%. JPY depreciated the most and fell by 1.6% tracking dovish comments from a key BoJ official. INR remained range bound. However, it is trading at similar levels today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	06-08-2024	07-08-2024	Change, %
EUR/USD (1 EUR / USD)	1.0931	1.0922	(0.1)
GBP/USD (1 GBP / USD)	1.2691	1.2692	0
USD/JPY (JPY / 1 USD)	144.34	146.68	(1.6)
USD/INR (INR / 1 USD)	83.96	83.95	0
USD/CNY (CNY / 1 USD)	7.1558	7.1766	(0.3)

Source: Bloomberg, Bank of Baroda



- Global yields closed mixed. Germany's 10Y yield rose the most followed by US. In Germany, better industrial production data comforted yields. In US, fragilities concerning financial market drove the selling spree in treasuries. China's 10Y yield inched down amidst expectation of monetary easing. India's 10Y yield fell a tad and is trading at the same level today.

Fig 3 – Bond 10Y yield

	06-08-2024	07-08-2024	Change, bps
US	3.89	3.94	5
UK	3.92	3.95	3
Germany	2.20	2.27	7
Japan	0.90	0.90	0
China	2.15	2.14	(1)
India	6.88	6.86	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	06-08-2024	07-08-2024	change in bps
Tbill-91 days	6.60	6.62	2
Tbill-182 days	6.72	6.72	0
Tbill-364 days	6.73	6.73	0
G-Sec 2Y	6.75	6.74	(1)
India OIS-2M	6.56	6.54	(2)
India OIS-9M	6.54	6.51	(3)
SONIA int rate benchmark	4.95	4.95	0
US SOFR	5.32	5.33	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	06-08-2024	07-08-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.8)	(1.9)	0.8
Reverse Repo	1.6	0.8	(0.8)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	05-08-2024	06-08-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(400.8)	(600.0)	(199.2)
Debt	39.6	(239.5)	(279.1)
Equity	(440.4)	(360.5)	79.9
Mutual funds (Rs cr)	(1,194.3)	5,494.8	6,689.1
Debt	(2,587.3)	(353.2)	2,234.1
Equity	1,393.0	5,848.0	4,455.0

Source: Bloomberg, Bank of Baroda Research | Note: Data for Mutual Funds as of 2 Aug and 5 Aug 2024

- Oil prices rose led by tensions in West-Asia and falling US crude stockpiles.

Fig 7 – Commodities

	06-08-2024	07-08-2024	% change
Brent crude (US\$/bbl)	76.5	78.3	2.4
Gold (US\$/ Troy Ounce)	2,390.8	2,382.9	(0.3)
Copper (US\$/ MT)	8,804.0	8,640.9	(1.9)
Zinc (US\$/MT)	2,540.4	2,526.7	(0.5)
Aluminium (US\$/MT)	2,296.0	2,288.0	(0.3)

Source: Bloomberg, Bank of Baroda Research



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