

## MORNING MOCHA

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Global equity and currency markets remained under pressure while yields softened. A stronger dollar ahead of GDP and core PCE data of the region weighed on sentiments. Among major data releases, new homes sales in the US showed some downward momentum. Manufacturing PMI in Japan remained in contraction while services activity gained pace. Market is pricing in a meagre probability of a rate hike by BoJ in the coming week. On domestic front, Union Budget focussed on fiscal prudence. Quality spending has been the top priority with focus on employment generation and upskilling. Other flash points were boost to domestic manufacturing, improved credit access for MSMEs and thrust to housing.

- Global indices ended weaker. Stocks in the US declined led by weak earnings reports by major tech companies. Caution also prevailed ahead of key data from the US and central bank meetings next week. Markets in Asia were subdued tracking weakness in China's growth and possible escalation in US-China trade conflict. Sensex declined by 0.1%, after the Union Budget. Real estate and capital goods stocks fell the most. It is trading further lower today, in line with other Asian indices.

**Fig 1 – Stock markets**

	22-07-2024	23-07-2024	Change, %
Dow Jones	40,415	40,358	(0.1)
S & P 500	5,564	5,556	(0.2)
FTSE	8,199	8,167	(0.4)
Nikkei	39,599	39,594	(0.0)
Hang Seng	17,636	17,469	(0.9)
Shanghai Comp	2,964	2,915	(1.6)
Sensex	80,502	80,429	(0.1)
Nifty	24,509	24,479	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Except JPY, other global currencies depreciated against the dollar. DXY rose by 0.1% as investors await macro data (core PCE, GDP). JPY appreciated sharply by 0.9% ahead of BoJ meeting next week. INR depreciated to a fresh record low amid weakness in domestic equity markets post the Budget announcement. It is trading flat today, while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	22-07-2024	23-07-2024	Change, %
EUR/USD (1 EUR / USD)	1.0891	1.0854	(0.3)
GBP/USD (1 GBP / USD)	1.2933	1.2908	(0.2)
USD/JPY (JPY / 1 USD)	157.04	155.59	0.9
USD/INR (INR / 1 USD)	83.67	83.69	(0.0)
USD/CNY (CNY / 1 USD)	7.2738	7.2748	(0.0)

Source: Bloomberg, Bank of Baroda



- US 10Y yield closed stable awaiting fresh cues from growth and inflation report scheduled this week. Germany's 10Y yield fell the most as ECB official has hinted at a possible rate cut in Sep'24. In UK, 10Y yield showed some correction after witnessing increase post the release of public debt data. India's 10Y yield closed stable and is trading at the same level.

**Fig 3 – Bond 10Y yield**

	22-07-2024	23-07-2024	Change, bps
US	4.25	4.25	(0)
UK	4.16	4.12	(4)
Germany	2.50	2.44	(6)
Japan	1.06	1.07	1
China	2.24	2.23	(1)
India	6.97	6.97	0

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	22-07-2024	23-07-2024	change in bps
Tbill-91 days	6.73	6.71	(2)
Tbill-182 days	6.82	6.82	-
Tbill-364 days	6.84	6.83	(1)
G-Sec 2Y	6.89	6.91	2
India OIS-2M	6.64	6.63	(0)
India OIS-9M	6.72	6.70	(2)
SONIA int rate benchmark	5.20	5.20	-
US SOFR	5.34	5.33	(1)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	22-07-2024	23-07-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.4)	(0.4)	0
Reverse Repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	19-07-2024	22-07-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	408.2	1,002.0	593.8
Debt	190.1	4.4	(185.7)
Equity	218.1	997.6	779.5
Mutual funds (Rs cr)	(2,395.7)	(428.4)	1,967.4
Debt	(496.6)	(399.5)	97.1
Equity	(1,899.1)	(28.8)	1,870.3

Source: Bloomberg, Bank of Baroda Research

- Oil prices declined further amidst possible cease fire in Middle East.

**Fig 7 – Commodities**

	22-07-2024	23-07-2024	% change
Brent crude (US\$/bbl)	82.4	81.0	(1.7)
Gold (US\$/ Troy Ounce)	2,396.6	2,409.6	0.5
Copper (US\$/ MT)	9,090.7	9,046.7	(0.5)
Zinc (US\$/MT)	2,664.0	2,627.6	(1.4)
Aluminium (US\$/MT)	2,299.5	2,295.0	(0.2)

Source: Bloomberg, Bank of Baroda Research



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