

MORNING MOCHA

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 ECONOMIST
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In line with expectations, BoJ raised the policy rates to 0.25% from 0.1% earlier and also shared the plan to taper its bond purchasing programme. In Asia, China's official manufacturing PMI slipped into contraction to 49.4 in Jul'24 from 49.5 in Jun'24. There was a moderation in production, new order and export index in Jul'24. The non-manufacturing PMI which takes in to account services and construction moderated down to 50.2 in Jul'24 (50.5 in Jun'24). Separately, inflation in Australia eased to 3.8% in Jun'24 from 4% in May'24 in line with expectations and making a stronger case of rate cut by RBA. Key decisions by Global Central Banks are expected to impact the market trajectory. On domestic front, kharif sowing has been satisfactory (2.3% higher than last year) with rainfall 2% above LPA.

- Major global indices ended mixed. Investors braced for rate decisions by global central banks. Dow Jones rebounded and ended in green monitoring the earnings report. Amongst other indices, Hang Seng declined the most. Sensex edged up by 0.1% supported by gains in power and consumer durable stocks. It is trading flat today, while other Asian indices are trading higher.

Fig 1 – Stock markets

	29-07-2024	30-07-2024	Change, %
Dow Jones	40,540	40,743	0.5
S & P 500	5,464	5,436	(0.5)
FTSE	8,292	8,274	(0.2)
Nikkei	38,469	38,526	0.1
Hang Seng	17,238	17,003	(1.4)
Shanghai Comp	2,892	2,879	(0.4)
Sensex	81,356	81,455	0.1
Nifty	24,836	24,857	0.1

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed against the dollar. DXY ended flat, as investors monitored incoming macro data from the US (JOLTS and cof board consumer confidence index), Germany (GDP, CPI) and Eurozone (GDP). Central Bank decisions are awaited. INR ended flat, but is trading slightly stronger today, supported by weak oil prices. Other Asian currencies are also trading higher.

Fig 2 – Currencies

	29-07-2024	30-07-2024	Change, %
EUR/USD (1 EUR / USD)	1.0821	1.0815	(0.1)
GBP/USD (1 GBP / USD)	1.2862	1.2836	(0.2)
USD/JPY (JPY / 1 USD)	154.02	152.77	0.8
USD/INR (INR / 1 USD)	83.74	83.73	0
USD/CNY (CNY / 1 USD)	7.2603	7.2410	0.3

Source: Bloomberg, Bank of Baroda



- Barring India, other major global 10Y yields closed lower. US 10Y yield fell the most by 4bps. Steady decline in job openings in the US, survey results showing consumer concerns about prices and interest rates, and weaker than expected Germany's Q2 GDP print, impacted investor sentiments. India's 10Y yield rose by 2bps, even as oil prices fell further. It is trading slightly lower today at 6.92%.

Fig 3 – Bond 10Y yield

	29-07-2024	30-07-2024	Change, bps
US	4.17	4.14	(4)
UK	4.05	4.04	(1)
Germany	2.36	2.34	(2)
Japan	1.03	1.00	(2)
China	2.16	2.14	(1)
India	6.92	6.93	2

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	29-07-2024	30-07-2024	change in bps
Tbill-91 days	6.62	6.61	(1)
Tbill-182 days	6.78	6.77	(1)
Tbill-364 days	6.79	6.78	(1)
G-Sec 2Y	6.82	6.80	(2)
India OIS-2M	6.62	6.63	0
India OIS-9M	6.67	6.68	1
SONIA int rate benchmark	5.20	5.20	0
US SOFR	5.35	5.33	(2)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	29-07-2024	30-07-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.1)	(1.3)	(0.2)
Reverse Repo	0.2	0.7	0.5
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	26-07-2024	29-07-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	431.2	(40.2)	(471.4)
Debt	(78.7)	285.4	364.1
Equity	509.9	(325.6)	(835.5)
Mutual funds (Rs cr)	816.6	3,321.9	2,505.2
Debt	(2,184.4)	295.1	2,479.5
Equity	3,001.0	3,026.8	25.8

Source: Bloomberg, Bank of Baroda Research, Note: MF data as of 25th and 26th Jul

- Oil prices declined, awaiting more clarity on truce talks in Middle East region.

Fig 7 – Commodities

	29-07-2024	30-07-2024	% change
Brent crude (US\$/bbl)	79.8	78.6	(1.4)
Gold (US\$/ Troy Ounce)	2,384.2	2,410.8	1.1
Copper (US\$/ MT)	8,893.7	8,842.9	(0.6)
Zinc (US\$/MT)	2,583.0	2,571.2	(0.5)
Aluminium (US\$/MT)	2,250.5	2,224.5	(1.2)

Source: Bloomberg, Bank of Baroda Research



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