

MORNING MOCHA

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 ECONOMIST
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In Japan, PPI inflation rose by 3% in Jul'24, following 2.9% rise in Jun'24. Major pressure continues to come from higher Yen denominated cost of imported materials (10.8% versus 10.6%), owing to weakness in Yen. This weakness may continue as BoJ Deputy Governor has signalled that there might not be more rate hikes in the near future. Separately, in the US, investors await the release of CPI inflation data (due later this week) to gauge the quantum of Fed rate cuts this year. Inflation is expected to come in unchanged at 3% in Jul'24. For the time being there remains a 50-50 chance of 50bps rate cut in Sep'24 (as CME FedWatch tool). On the domestic front, CPI inflation in Jul'24 eased to nearly 5-year low of 3.5% (supported by favourable base) from 5.1% in Jun'24, while industrial production growth slowed to 4.2% in Jun'24 from 6.2% in May'24.

- Global indices ended mixed. Investors will turn their focus towards upcoming data print (US CPI). According to CME, investors expect 100bps cut by the end of CY24. Sensex ended in red led by power stocks. With India's weight increasing in the MSCI global standard index, it is likely to attract potential inflows. Sensex is trading lower today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	09-08-2024	12-08-2024	Change, %
Dow Jones	39,498	39,357	(0.4)
S & P 500	5,344	5,344	0
FTSE	8,168	8,210	0.5
Nikkei	34,831	35,025	0.6
Hang Seng	17,090	17,112	0.1
Shanghai Comp	2,862	2,858	(0.1)
Sensex	79,706	79,649	(0.1)
Nifty	24,368	24,347	(0.1)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in Japan were closed on 12 Aug 2024

- Except for the CNY (lower) and INR (flat), other global currencies ended higher. DXY remained range bound awaiting key releases that will help gauge Fed's rate outlook. Hotter than expected data print will push for 25bps cut in Sep'24 or 50bps cuts if data turns out to be cooler, raising slowdown concerns. INR is trading stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	09-08-2024	12-08-2024	Change, %
EUR/USD (1 EUR / USD)	1.0917	1.0931	0.1
GBP/USD (1 GBP / USD)	1.2761	1.2770	0.1
USD/JPY (JPY / 1 USD)	147.23	146.61	0.4
USD/INR (INR / 1 USD)	83.96	83.97	0
USD/CNY (CNY / 1 USD)	7.1683	7.1747	(0.1)

Source: Bloomberg, Bank of Baroda | Note: Markets in Japan were closed on 12 Aug 2024



- Global yields closed mixed. 10Y yields in US and UK fell, while it inched further up in China. US 10Y yield was down by 4bps, anticipating support from inflation data due to be released later this week. China's 10Y yield rose by 4bps. As per news reports, this is due to central bank's intervention. India's 10Y yield ended flat, but is trading slightly lower today at 6.87%, despite increase in oil prices.

Fig 3 – Bond 10Y yield

	09-08-2024	12-08-2024	Change, bps
US	3.94	3.90	(4)
UK	3.95	3.92	(3)
Germany	2.23	2.23	0
Japan	0.85	0.85	0
China	2.21	2.25	4
India	6.88	6.88	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in Japan were closed on 12 Aug 2024

Fig 4 – Short term rates

	09-08-2024	12-08-2024	change in bps
Tbill-91 days	6.58	6.61	3
Tbill-182 days	6.72	6.70	(2)
Tbill-364 days	6.73	6.73	0
G-Sec 2Y	6.75	6.76	1
India OIS-2M	6.58	6.58	0
India OIS-9M	6.55	6.58	3
SONIA int rate benchmark	4.95	4.95	0
US SOFR	5.34	5.34	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	09-08-2024	12-08-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.5)	(1.1)	0.4
Reverse Repo	0	0.1	0.1
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	08-08-2024	09-08-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	108.5	(34.2)	(142.8)
Debt	46.4	104.2	57.8
Equity	62.1	(138.4)	(200.6)
Mutual funds (Rs cr)	985.0	(3,444.0)	(4,429.0)
Debt	(2,872.4)	(2,137.6)	734.9
Equity	3,857.4	(1,306.4)	(5,163.8)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 7 and 8 Aug 2024

- Oil prices rose sharply, in view of continuously escalated geo-political tensions.

Fig 7 – Commodities

	09-08-2024	12-08-2024	% change
Brent crude (US\$/bbl)	79.7	82.3	3.3
Gold (US\$/ Troy Ounce)	2,431.3	2,472.9	1.7
Copper (US\$/ MT)	8,747.3	8,908.2	1.8
Zinc (US\$/MT)	2,698.5	2,694.6	(0.1)
Aluminium (US\$/MT)	2,301.5	2,305.5	0.2

Source: Bloomberg, Bank of Baroda Research



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