

MORNING MOCHA

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PPI inflation in the US eased to 0.1% (est.: 0.2%) in Jul'24 from 0.2% in Jun'24. On YoY basis also, it moderated sharply in Jul'24 (2.2%) compared with Jun'24 (2.7%). On sequential basis, the surprise decline was on account of inflation in trade (-1.3% versus 1.4%). On the other hand, food and energy inflation rose. Investors now await the release CPI inflation print. In the UK also, some relief was noted as wage growth slowed to 5.4% in Q2CY24 (in line with expectations) from 5.7% between Apr and May'24. This may help make case for another rate cut by BoE. Separately, Central Bank of New Zealand (RBNZ) surprised the markets by lowering its benchmark rate by 25bps to 5.25%—first cut since Mar'20. It further lowered its policy rate forecast to 4.92% for this year, implying more rate cuts can be expected in the upcoming meetings. The decision was driven by “surveyed inflation expectations...moving consistent with low and stable inflation”.

- Barring the domestic market, other global indices ended higher. US indices advanced after softer PPI print (2.2% from 2.7% in Jun'24) raised hopes of rate cut in Sep'24. Upcoming CPI print will offer more guidance on the same. Sensex continued to dip and was dragged down by sharp losses in banking and metal stocks. Sensex is trading higher today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	12-08-2024	13-08-2024	Change, %
Dow Jones	39,357	39,766	1.0
S & P 500	5,344	5,434	1.7
FTSE	8,210	8,235	0.3
Nikkei	35,025	36,233	3.4
Hang Seng	17,112	17,174	0.4
Shanghai Comp	2,858	2,868	0.3
Sensex	79,649	78,956	(0.9)
Nifty	24,347	24,139	(0.9)

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

- Except for the JPY (lower) and INR (flat), other global currencies ended higher. DXY retreated as PPI data strengthened rate cut expectation. GBP edged up supported by labour data (unemployment dropped down to 4.2%). INR is trading stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	12-08-2024	13-08-2024	Change, %
EUR/USD (1 EUR / USD)	1.0931	1.0993	0.6
GBP/USD (1 GBP / USD)	1.2770	1.2862	0.7
USD/JPY (JPY / 1 USD)	146.61	146.84	(0.2)
USD/INR (INR / 1 USD)	83.97	83.97	0
USD/CNY (CNY / 1 USD)	7.1747	7.1550	0.3

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



- Barring India, other global yields declined. US 10Y yield fell the most, driven by softer than expected PPI print. Investors are also hoping for a mild CPI report. Lower than expected wage growth in UK also pushed UK 10Y yield lower. India's 10Y yield ended flat, despite noting drop in oil prices. However, following global cues, it is trading slightly lower today at 6.87%.

Fig 3 – Bond 10Y yield

	12-08-2024	13-08-2024	Change, bps
US	3.90	3.84	(6)
UK	3.92	3.89	(3)
Germany	2.23	2.19	(4)
Japan	0.85	0.85	(1)
China	2.25	2.22	(3)
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

	12-08-2024	13-08-2024	change in bps
Tbill-91 days	6.61	6.61	0
Tbill-182 days	6.70	6.68	(2)
Tbill-364 days	6.73	6.72	(1)
G-Sec 2Y	6.76	6.77	1
India OIS-2M	6.58	6.58	0
India OIS-9M	6.58	6.56	(2)
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	12-08-2024	13-08-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.1)	(1.3)	(0.2)
Reverse Repo	0.1	0.6	0.5
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	09-08-2024	12-08-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(34.2)	(227.0)	(192.8)
Debt	104.2	107.8	3.6
Equity	(138.4)	(334.8)	(196.4)
Mutual funds (Rs cr)	(3,444.0)	131.0	3,574.9
Debt	(2,137.6)	(2,572.6)	(435.0)
Equity	(1,306.4)	2,703.5	4,009.9

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 8 and 9 Aug 2024

- Oil prices fell, as OPEC lowered its demand forecasts for CY24 (led by China).

Fig 7 – Commodities

	12-08-2024	13-08-2024	% change
Brent crude (US\$/bbl)	82.3	80.7	(2.0)
Gold (US\$/ Troy Ounce)	2,472.9	2,465.2	(0.3)
Copper (US\$/ MT)	8,908.2	8,847.4	(0.7)
Zinc (US\$/MT)	2,694.6	2,637.2	(2.1)
Aluminium (US\$/MT)	2,305.5	2,332.0	1.1

Source: Bloomberg, Bank of Baroda Research



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