

MORNING MOCHA

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 ECONOMIST
Jahnavi Prabhakar

Signalling strength in the US economy, advance retail sales accelerated to 1% much higher than expected in Jul'24 after declining by 0.2% in Jun'24. This was supported by higher sales across the following categories, motor vehicles (3.6%), electronics (1.6%) and food outlets (0.9%). Additionally, lower jobless claims data signalled resilience in the job market. These data sets came post the softer PPI print which has soothed slowdown concerns and propelled expectation of rate cut in upcoming Fed meet. As a result, global equity markets advanced and also noted a spike in treasury yields. Separately, UK economy expanded at a slower pace of 0.6% (in line with expectation) in Q2CY24 from 0.7% in Q1CY24. On monthly basis, the economy registered 0% growth in Jun'24 from 0.4% in May'24.

- Most of the global indices largely ended higher. US indices rallied after better than expected macro data (softer PPI, surge in retail sales and lower jobless claims) allayed fears of slowdown. Nikkei continued to make solid gains and is expected to clock best week in over 4-years. Led by strong momentum globally, Sensex is trading higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	14-08-2024	15-08-2024	Change, %
Dow Jones	40,008	40,563	1.4
S & P 500	5,455	5,543	1.6
FTSE	8,281	8,347	0.8
Nikkei	36,442	36,727	0.8
Hang Seng	17,113	17,109	0
Shanghai Comp	2,851	2,877	0.9
Sensex	78,956	79,106	0.2
Nifty	24,139	24,144	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 15 Aug 2024

- Global currencies ended mixed. DXY rose by 0.4% as US retail sales increased more than expected allaying fears of an imminent recession. JPY and EUR depreciated. GBP gained as UK's GDP rose in line with expectations in Q2 CY24. INR is trading stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	14-08-2024	15-08-2024	Change, %
EUR/USD (1 EUR / USD)	1.1012	1.0972	(0.4)
GBP/USD (1 GBP / USD)	1.2829	1.2855	0.2
USD/JPY (JPY / 1 USD)	147.33	149.28	(1.3)
USD/INR (INR / 1 USD)	83.97	83.95	0
USD/CNY (CNY / 1 USD)	7.1411	7.1747	(0.5)

Source: Bloomberg, Bank of Baroda | Note: Markets in India were closed on 15 Aug 2024

- Except India, other global yields edged up. US 10Y yield rose by 8bps as strong retail sales and decline in jobless claims have strengthened the case for a



smaller rate cut in Sep'24. UK's 10Y yield also rose sharply as data showed 2 consecutive quarters of strong growth. India's 10Y yield eased by 2bps, but is trading higher at 6.88% today ahead of weekly auction.

Fig 3 – Bond 10Y yield

	14-08-2024	15-08-2024	Change, bps
US	3.84	3.91	8
UK	3.83	3.92	10
Germany	2.18	2.26	8
Japan	0.82	0.84	2
China	2.19	2.20	1
India	6.88	6.86	(2)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 15 Aug 2024

Fig 4 – Short term rates

	13-08-2024	14-08-2024	change in bps
Tbill-91 days	6.61	6.60	(1)
Tbill-182 days	6.68	6.72	4
Tbill-364 days	6.72	6.72	0
G-Sec 2Y	6.77	6.75	(1)
India OIS-2M	6.58	6.58	0
India OIS-9M	6.56	6.53	(3)
SONIA int rate benchmark	4.95	4.95	0
US SOFR	5.34	5.33	(1)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 15 Aug 2024

Fig 5 – Liquidity

Rs tn	13-08-2024	14-08-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.3)	(1.4)	(0.1)
Reverse Repo	0.6	0.7	0.1
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	12-08-2024	13-08-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(227.0)	(99.6)	127.4
Debt	107.8	69.5	(38.3)
Equity	(334.8)	(169.1)	165.7
Mutual funds (Rs cr)	131.0	595.3	464.4
Debt	(2,572.6)	(3,387.4)	(814.8)
Equity	2,703.5	3,982.7	1,279.2

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 9 and 12 Aug 2024

- Oil prices edged up, surrounding renewed optimism around US economy.

Fig 7 – Commodities

	14-08-2024	15-08-2024	% change
Brent crude (US\$/bbl)	79.8	81.0	1.6
Gold (US\$/ Troy Ounce)	2,447.9	2,456.8	0.4
Copper (US\$/ MT)	8,863.8	9,050.9	2.1
Zinc (US\$/MT)	2,662.5	2,731.3	2.6
Aluminium (US\$/MT)	2,335.5	2,363.5	1.2

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

Chief Economist

Bank of Baroda

+91 22 6698 5143

chief.economist@bankofbaroda.com