

MORNING MOCHA

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Global markets had a breather to some extent. A host of factors from pricing of risk amid volatility, underlying liquidity conditions to unwinding of carry trade; steered market sentiments. Among major macro releases, were US home starts data which showed some moderation. University of Michigan's inflation expectation continued to remain sticky albeit some softening of recent inflation readings. Investors will be closely eyeing Fed Chair comments in the upcoming Jackson Hole symposium, for cues on timing of cut. Swap traders are pricing in a percentage point cut by Fed in Sep'24. Elsewhere in UK, retail sales remained firm. On domestic front, government has reduced the windfall gains tax to Rs 2,100/tonne, in line with international crude price and fuel margins. In a separate release, the PLFS data showed unemployment rate has moderated to 6.6% in Q1FY25 from 6.7% in Q4FY24.

- Barring UK, stocks elsewhere edged up. Global markets rallied amid expectations of a soft landing in the US, backed by strong macro data and softer inflation readings. Nikkei rose the most by 3.6%, led by gains in power and real estate sector. Sensex also rose by 1.7%, supported by global cues. Real estate and technology stocks gained the most. It is trading further higher today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	15-08-2024	16-08-2024	Change, %
Dow Jones	40,563	40,660	0.2
S & P 500	5,543	5,554	0.2
FTSE	8,347	8,311	(0.4)
Nikkei	36,727	38,063	3.6
Hang Seng	17,109	17,430	1.9
Shanghai Comp	2,877	2,879	0.1
Sensex	79,106	80,437	1.7
Nifty	24,144	24,541	1.6

Source: Bloomberg, Bank of Baroda Research, Note: Indian markets were closed on 15th

- Except INR, other global currencies appreciated against the dollar. DXY fell by 0.5% following dovish comments from a key Fed official. JPY appreciated the most by 1.1%. INR closed flat despite softer dollar and lower oil prices. It is trading higher today, while Asian currencies are trading mixed.

Fig 2 – Currencies

	15-08-2024	16-08-2024	Change, %
EUR/USD (1 EUR / USD)	1.0972	1.1027	0.5
GBP/USD (1 GBP / USD)	1.2855	1.2944	0.7
USD/JPY (JPY / 1 USD)	149.28	147.63	1.1
USD/INR (INR / 1 USD)	83.95	83.95	0
USD/CNY (CNY / 1 USD)	7.1747	7.1592	0.2

Source: Bloomberg, Bank of Baroda, Note: Indian markets were closed on 15th



- US 10Y yield softened by 3bps as recent inflation data rekindled hopes of monetary easing by Fed. UK's 10Y yield closed stable as traders remained cautious assessing retail sales data. Japan's 10Y yield rose by 4bps as expectations lingered over pause but not deflection from the rate hike path. India's 10Y yield rose a tad. It is trading at 6.86% today.

Fig 3 – Bond 10Y yield

	15-08-2024	16-08-2024	Change, bps
US	3.91	3.88	(3)
UK	3.92	3.93	0
Germany	2.26	2.25	(2)
Japan	0.84	0.88	4
China	2.20	2.19	(1)
India	6.86	6.87	1

Source: Bloomberg, Bank of Baroda Research , Note: Indian markets were closed on 15th

Fig 4 – Short term rates

	15-08-2024	16-08-2024	change in bps
Tbill-91 days	6.60	6.60	0
Tbill-182 days	6.72	6.70	(2)
Tbill-364 days	6.72	6.72	0
G-Sec 2Y	6.75	6.79	3
India OIS-2M	6.57	6.59	2
India OIS-9M	6.53	6.55	2
SONIA int rate benchmark	4.95	4.95	0
US SOFR	5.33	5.35	2

Source: Bloomberg, Bank of Baroda Research, Note: Indian markets were closed on 15th

Fig 5 – Liquidity

Rs tn	14-08-2024	16-08-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.4)	(1.6)	0.2
Reverse Repo	0.7	0.1	(0.6)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	13-08-2024	14-08-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(99.6)	(225.1)	(125.5)
Debt	69.5	58.2	(11.3)
Equity	(169.1)	(283.3)	(114.2)
Mutual funds (Rs cr)	595.3	(3,988.0)	(4,583.3)
Debt	(3,387.4)	(3,501.7)	(114.3)
Equity	3,982.7	(486.3)	(4,468.9)

Source: Bloomberg, Bank of Baroda Research | Note: Data for Mutual Funds as of 12 Aug and 13 Aug 2024

- Oil prices declined as weak macro data from China stoked demand concerns.

Fig 7 – Commodities

	15-08-2024	16-08-2024	% change
Brent crude (US\$/bbl)	81.0	79.7	(1.7)
Gold (US\$/ Troy Ounce)	2,456.8	2,508.0	2.1
Copper (US\$/ MT)	9,050.9	9,006.3	(0.5)
Zinc (US\$/MT)	2,731.3	2,710.0	(0.8)
Aluminium (US\$/MT)	2,363.5	2,365.5	0.1

Source: Bloomberg, Bank of Baroda Research



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