

**MORNING MOCHA**

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 ECONOMIST  
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Global markets remained cautious ahead of speeches of major central bank officials. Expectation is getting intensified about Fed Chair's hinting of an easier monetary conditions, going ahead. CME Fed watch tool has attached a probability of 75% for a 25bps cut in Sep'24, whose probability was just 50%, a week earlier. Elsewhere, ECB Governing Council member spoke of increasing risks to growth thus underlying the need for reinforcing policy adjustment. In China, PBOC signalled status quo in policy rate for an 'extended period' to ensure inflation falls sustainably within the target and also an indirect measure to protect profit margins of banks. On domestic front, RBI report highlighted that supply driven food price shocks can have spill-over effects, warranting a cautious monetary policy response.

- Barring Nikkei, stocks elsewhere inched up. Expectations are building up over Fed Chair's speech to throw some light on Sep'24 easing. Other Fed officials have also hinted at similar outcome. All these factors are propelling equity indices worldwide. US stocks and Hang Seng have risen the most. Nikkei underwent some correction. Sensex closed flat. It is trading higher today, while Asian stocks are trading mixed.

**Fig 1 – Stock markets**

	16-08-2024	19-08-2024	Change, %
Dow Jones	40,660	40,897	0.6
S & P 500	5,554	5,608	1.0
FTSE	8,311	8,357	0.5
Nikkei	38,063	37,389	(1.8)
Hang Seng	17,430	17,570	0.8
Shanghai Comp	2,879	2,894	0.5
Sensex	80,437	80,425	0
Nifty	24,541	24,573	0.1

Source: Bloomberg, Bank of Baroda Research

- Global currencies appreciated against the dollar. DXY fell by 0.6% as market participants have incorporated some bit of easing by Fed in their reaction function. JPY appreciated the most by 0.7% followed by EUR. INR appreciated marginally supported by softening oil prices. It is trading flat today, while Asian currencies are trading lower.

**Fig 2 – Currencies**

	16-08-2024	19-08-2024	Change, %
EUR/USD (1 EUR / USD)	1.1027	1.1085	0.5
GBP/USD (1 GBP / USD)	1.2944	1.2991	0.4
USD/JPY (JPY / 1 USD)	147.63	146.59	0.7
USD/INR (INR / 1 USD)	83.95	83.87	0.1
USD/CNY (CNY / 1 USD)	7.1592	7.1395	0.3

Source: Bloomberg, Bank of Baroda



- Global yields traded in a thin range. US 10Y yield closed a tad lower awaiting cues from Fed Chair's speech at the Jackson Hole symposium. China's 10Y yield fell by 2bps over lingering concerns surrounding weakening demand conditions in the economy. India's 10Y yield closed flat and is trading at 6.86%.

**Fig 3 – Bond 10Y yield**

	16-08-2024	19-08-2024	Change, bps
US	3.88	3.87	(1)
UK	3.93	3.92	0
Germany	2.25	2.25	0
Japan	0.88	0.89	1
China	2.19	2.18	(2)
India	6.87	6.87	0

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	16-08-2024	19-08-2024	change in bps
Tbill-91 days	6.60	6.57	(3)
Tbill-182 days	6.70	6.70	0
Tbill-364 days	6.72	6.72	0
G-Sec 2Y	6.79	6.76	(2)
India OIS-2M	6.59	6.59	0
India OIS-9M	6.55	6.55	0
SONIA int rate benchmark	4.95	4.95	0
US SOFR	5.35	5.32	(3)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	16-08-2024	19-08-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.6)	(1.2)	(0.4)
Reverse Repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	14-08-2024	16-08-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(225.1)	197.3	422.4
Debt	58.2	54.8	(3.4)
Equity	(283.3)	142.5	425.8
Mutual funds (Rs cr)	(5,735.3)	2,500.6	8,235.9
Debt	(3,580.8)	1,605.9	5,186.6
Equity	(2,154.5)	894.7	3,049.2

Source: Bloomberg, Bank of Baroda Research | Note: Data for Mutual Funds as of 13 Aug and 14 Aug 2024

- Oil prices moderated as supply concerns pacified with reports of increased production from Libya.

**Fig 7 – Commodities**

	16-08-2024	19-08-2024	% change
Brent crude (US\$/bbl)	79.7	77.7	(2.5)
Gold (US\$/ Troy Ounce)	2,508.0	2,504.3	(0.1)
Copper (US\$/ MT)	9,006.3	9,142.6	1.5
Zinc (US\$/MT)	2,710.0	2,733.1	0.9
Aluminium (US\$/MT)	2,365.5	2,445.5	3.4

Source: Bloomberg, Bank of Baroda Research



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