

MORNING MOCHA

09 August 2024

ECONOMIST
Aditi Gupta

US jobless claims declined more than expected last week, suggesting that bets of an imminent recession in the world's largest economy might be unfounded. Weekly jobless claims declined by 17,000 to 233,000 (est. 240,000). This comes on the heels of US jobs report last week which showed a significant slowdown in US labour market. Separately, CPI inflation in China inched up to 0.5% in Jul'24 (est. 0.3%) from 0.2% in Jun'24 on the back of higher food prices. Underlying price pressures however remained contained, as core inflation eased to 0.4% from 0.6% in Jun'24. Deflation in PPI was steady at 0.8% in Jul'24. In India, RBI maintained a status quo, but flagged risks due to high food inflation. Risks to financial stability due to high growth in credit card spends and deposit mobilisation were also highlighted.

- Global indices closed mixed amid a confluence of mixed factors at play. On one hand, US jobless claims softened, hinting at tight labour market. On other hand, commentary of Kansas Fed official reflected some bit of cautiousness on rate cuts. US stocks edged higher. Nikkei fell, as anticipation of policy divergence persisted. Sensex fell by 0.7%, as RBI flagged some liquidity risks in the banking sector. It is trading higher today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	07-08-2024	08-08-2024	Change, %
Dow Jones	38,763	39,446	1.8
S & P 500	5,200	5,319	2.3
FTSE	8,167	8,145	(0.3)
Nikkei	35,090	34,831	(0.7)
Hang Seng	16,878	16,892	0.1
Shanghai Comp	2,870	2,870	0
Sensex	79,468	78,886	(0.7)
Nifty	24,298	24,117	(0.7)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY edged up marginally after US jobless claims declined last week, which helped ease recession fears. JPY depreciated further by 0.4%. INR ended at a fresh record low. However, it is trading stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	07-08-2024	08-08-2024	Change, %
EUR/USD (1 EUR / USD)	1.0922	1.0919	0
GBP/USD (1 GBP / USD)	1.2692	1.2748	0.4
USD/JPY (JPY / 1 USD)	146.68	147.23	(0.4)
USD/INR (INR / 1 USD)	83.95	83.96	0
USD/CNY (CNY / 1 USD)	7.1766	7.1763	0

Source: Bloomberg, Bank of Baroda



- US 10Y yield rose by 4bps as rebalancing of portfolio continued amidst mixed macro-economic data. Japan's 10Y yield fell by 5bps as expectations centred on future course of action by BoJ, amid conflicting comments from BoJ Governor and Deputy Governor. India's 10Y yield rose a tad. It is trading at the same level today, as no new guidance on liquidity was provided by RBI.

Fig 3 – Bond 10Y yield

	07-08-2024	08-08-2024	Change, bps
US	3.94	3.99	4
UK	3.95	3.98	3
Germany	2.27	2.27	0
Japan	0.90	0.85	(5)
China	2.14	2.17	3
India	6.86	6.88	1

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	07-08-2024	08-08-2024	change in bps
Tbill-91 days	6.62	6.62	0
Tbill-182 days	6.72	6.71	(1)
Tbill-364 days	6.73	6.73	0
G-Sec 2Y	6.75	6.74	(1)
India OIS-2M	6.54	6.57	3
India OIS-9M	6.51	6.54	3
SONIA int rate benchmark	4.95	4.95	0
US SOFR	5.33	5.33	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	07-08-2024	08-08-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.9)	(1.7)	0.2
Reverse Repo	0.8	1.6	0.8
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	06-08-2024	07-08-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(600.0)	(102.7)	497.3
Debt	(239.5)	235.8	475.3
Equity	(360.5)	(338.5)	22.0
Mutual funds (Rs cr)	5,494.8	(5,240.8)	(10,735.6)
Debt	(353.2)	(7,241.1)	(6,887.8)
Equity	5,848.0	2,000.3	(3,847.7)

Source: Bloomberg, Bank of Baroda Research | Note: Data for Mutual Funds as of 5 Aug and 6 Aug 2024

- Oil prices increased as geo-political tensions outweighed demand concerns.

Fig 7 – Commodities

	07-08-2024	08-08-2024	% change
Brent crude (US\$/bbl)	78.3	79.2	1.1
Gold (US\$/ Troy Ounce)	2,382.9	2,427.5	1.9
Copper (US\$/ MT)	8,640.9	8,670.9	0.3
Zinc (US\$/MT)	2,526.7	2,601.3	3.0
Aluminium (US\$/MT)	2,288.0	2,274.0	(0.6)

Source: Bloomberg, Bank of Baroda Research



Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at



For further details about this publication, please contact:

Chief Economist

Bank of Baroda

+91 22 6698 5143

chief.economist@bankofbaroda.com