

MORNING MOCHA

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Barring Eurozone, manufacturing activity globally showed nascent signs of recovery in Aug'24. Manufacturing PMI in UK, Japan and China inched up, signalling some strength. However, it remained stuck in contraction in the Eurozone, led by Germany and France. In this week, investor focus will remain on US macro data, especially the labour market report. Lower than expected additions in US nonfarm payrolls can force the Fed to cut rates by 50bps. As of now, investors' expectations have shifted in favour of a 25bps rate cut. In India, manufacturing PMI remained well above its long-term average at 57.5 in Aug'24, suggesting robust activity. Monsoon rainfall was 8% above LPA as of 2 Sep 2024, with kharif sowing also registering a 1.9% increase over last year (as of 30 Aug 2024).

- Global indices closed mixed. Investors remained cautious ahead of US macro data (payroll, ISM PMI and capital goods orders). Hang Seng dropped the most, weighed down by real estate sector woes in China. Nikkei inched up, supported by a softer yen. Sensex rose, driven by gains in technology stocks. It is trading lower today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	30-08-2024	02-09-2024	Change, %
Dow Jones	41,335	41,563	0.6
S & P 500	5,592	5,648	1.0
FTSE	8,377	8,364	(0.2)
Nikkei	38,648	38,701	0.1
Hang Seng	17,989	17,692	(1.7)
Shanghai Comp	2,842	2,811	(1.1)
Sensex	82,366	82,560	0.2
Nifty	25,236	25,279	0.2

Source: Bloomberg, Bank of Baroda Research | Note: Markets in US were closed on 2 Sep 2024

- Global currencies ended mixed as investors await US jobs data. GBP rose led by an increase in UK's manufacturing PMI (26-month high) in Aug'24. JPY depreciated, as interest rate differential between US and Japan is expected to be maintained. INR depreciated despite lower oil prices. It is trading further weaker today, in line with Asian peers.

Fig 2 – Currencies

	30-08-2024	02-09-2024	Change, %
EUR/USD (1 EUR / USD)	1.1048	1.1072	0.2
GBP/USD (1 GBP / USD)	1.3127	1.3146	0.1
USD/JPY (JPY / 1 USD)	146.17	146.92	(0.5)
USD/INR (INR / 1 USD)	83.87	83.93	(0.1)
USD/CNY (CNY / 1 USD)	7.0913	7.1173	(0.4)

Source: Bloomberg, Bank of Baroda



- Barring China (lower) and US (stable), global yields inched up. Momentum in US consumer spending has raised doubts about the quantum of Fed rate cut. This has driven yields higher in other major AEs such as UK and Germany. India's 10Y yield rose a tad and is trading at 6.87% today.

Fig 3 – Bond 10Y yield

	30-08-2024	02-09-2024	Change, bps
US	3.90	3.90	0
UK	4.02	4.06	4
Germany	2.30	2.34	4
Japan	0.90	0.91	2
China	2.18	2.15	(2)
India	6.86	6.88	1

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	30-08-2024	02-09-2024	change in bps
Tbill-91 days	6.66	6.63	(3)
Tbill-182 days	6.71	6.70	(1)
Tbill-364 days	6.72	6.68	(4)
G-Sec 2Y	6.76	6.76	(1)
India OIS-2M	6.60	6.60	0
India OIS-9M	6.53	6.55	2
SONIA int rate benchmark	4.95	4.95	0
US SOFR	5.35	5.33	(2)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	30-08-2024	02-09-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.2)	(2.2)	(1.0)
Reverse Repo	0.2	0.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	29-08-2024	30-08-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	1,760.6	199.4	(1,561.1)
Debt	28.9	20.1	(8.8)
Equity	1,731.6	179.3	(1,552.3)
Mutual funds (Rs cr)	(1,586.7)	(3,509.9)	(1,923.1)
Debt	(2,380.5)	(2,320.1)	60.4
Equity	793.8	(1,189.7)	(1,983.6)

Source: Bloomberg, Bank of Baroda Research | Note: Data for Mutual Funds as of 28 Aug and 29 Aug 2024

- Oil prices declined led by demand concerns amid weak growth in China.

Fig 7 – Commodities

	30-08-2024	02-09-2024	% change
Brent crude (US\$/bbl)	78.8	77.5	(1.6)
Gold (US\$/ Troy Ounce)	2,503.4	2,499.5	(0.2)
Copper (US\$/ MT)	9,118.1	9,057.3	(0.7)
Zinc (US\$/MT)	2,846.7	2,790.4	(2.0)
Aluminium (US\$/MT)	2,447.0	2,424.0	(0.9)

Source: Bloomberg, Bank of Baroda Research



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