

## MORNING MOCHA

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ECONOMIST  
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Even with mixed macro data coming in from the US, rate cut bets by Fed in Sep'24 continue to hold ground. Retail sales growth in Jun'24 slowed (0% versus 0.3% in May'24), albeit less than estimated (-0.3%). Single-family housing starts fell by (-) 2.2% in Jun'24 to reach 980k—lowest since Oct'23. Industrial output slowed marginally in Jun'24 (0.6% from 0.9% in May'24), thus coming in higher than estimated 0.3%. Separately in the UK, the timing of BoE's rate cut still remains uncertain. Chances of a cut in Aug'24 have dimmed as retail inflation (YoY) remained at 2% in Jun'24 (unchanged from last month and versus est.:1.9%). Both core (3.5%) and services CPI (5.7%) also remained unchanged from last month, thus adding pressure on BoE. On the domestic front, keeping in view India's growth momentum, IMF has revised its GDP forecast for FY25 upward to 7% from 6.8%.

- Global equity indices ended mixed. Investors monitored news of a possible export restrictions against China, which is expected to escalate US-China trade conflicts. Technology and specifically chip related stocks suffered the most. Shanghai Comp declined by 0.5% followed by losses in Nikkei. Sensex is trading lower in their morning session today in line with other Asian indices.

**Fig 1 – Stock markets**

	16-07-2024	17-07-2024	Change, %
Dow Jones	40,954	41,198	0.6
S & P 500	5,667	5,588	(1.4)
FTSE	8,165	8,187	0.3
Nikkei	41,275	41,098	(0.4)
Hang Seng	17,728	17,739	0.1
Shanghai Comp	2,976	2,963	(0.5)
Sensex	80,665	80,717	0.1
Nifty	24,587	24,613	0.1

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 17 July 2024

- Except INR (flat), other global currencies ended higher against the dollar. DXY slipped (4-month low) amidst fears of US-China trade conflicts and the likelihood of Sep'24 cut. GBP breached the US\$ 1.3 mark. Yen scaled up raising the possibility of government interventions. INR is trading stronger today, while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	16-07-2024	17-07-2024	Change, %
EUR/USD (1 EUR / USD)	1.0899	1.0939	0.4
GBP/USD (1 GBP / USD)	1.2974	1.3009	0.3
USD/JPY (JPY / 1 USD)	158.35	156.20	1.4
USD/INR (INR / 1 USD)	83.60	83.59	0
USD/CNY (CNY / 1 USD)	7.2685	7.2621	0.1

Source: Bloomberg, Bank of Baroda | Note: Markets in India were closed on 17 July 2024



- Global 10Y yields closed mixed. UK 10Y yield rose the most (3bps), while US 10Y yield was flat. Continued stickiness in UK inflation has dimmed the chances of a rate cut by BoE in Aug'24. Mixed macro data from the US, kept investors on edge. Markets in India were closed, but 10Y yield is trading slightly higher today (6.97%), following global cues and rise in oil prices.

**Fig 3 – Bond 10Y yield**

	16-07-2024	17-07-2024	Change, bps
US	4.16	4.16	0
UK	4.05	4.08	3
Germany	2.43	2.42	(1)
Japan	1.03	1.04	1
China	2.26	2.26	0
India	6.98	6.96	(1)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 17 July 2024

**Fig 4 – Short term rates**

	15-07-2024	16-07-2024	change in bps
Tbill-91 days	6.72	6.78	6
Tbill-182 days	6.83	6.82	(1)
Tbill-364 days	6.86	6.87	1
G-Sec 2Y	6.92	6.89	(3)
India OIS-2M	6.66	6.64	(2)
India OIS-9M	6.72	6.70	(2)
SONIA int rate benchmark	5.20	5.20	0
US SOFR	5.34	5.35	1

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 17 July 2024

**Fig 5 – Liquidity**

Rs tn	15-07-2024	16-07-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.8)	(1.1)	(0.3)
Reverse Repo	0.1	0.5	0.4
Repo	0	0	0

Source: RBI, Bank of Baroda Research | Note: Markets in India were closed on 17 July 2024

**Fig 6 – Capital market flows**

	12-07-2024	15-07-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	712.5	434.8	(277.8)
Debt	70.0	35.3	(34.7)
Equity	642.6	399.4	(243.1)
Mutual funds (Rs cr)	70.5	(619.5)	(689.9)
Debt	1,273.6	(573.8)	(1,847.3)
Equity	(1,203.1)	(45.7)	1,157.4

Source: Bloomberg, Bank of Baroda Research

- Oil prices rose, owing to more than expected draw down from US stockpiles.

**Fig 7 – Commodities**

	16-07-2024	17-07-2024	% change
Brent crude (US\$/bbl)	83.7	85.1	1.6
Gold (US\$/ Troy Ounce)	2,469.1	2,458.8	(0.4)
Copper (US\$/ MT)	9,505.3	9,489.6	(0.2)
Zinc (US\$/MT)	2,821.2	2,782.5	(1.4)
Aluminium (US\$/MT)	2,406.0	2,402.0	(0.2)

Source: Bloomberg, Bank of Baroda Research



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