

MORNING MOCHA

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ECONOMIST
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Markets kept close eye tracking comments from several Fed officials, which gave conflicting signals. Chicago Fed President spoke of potential rate cuts amidst slowing consumer spending and improvement in labour market conditions. Fed Governor Lisa Cook said current policy being well positioned. Fed Governor Michelle Bowman on the other hand, flagged upside risks to inflation sustainably returning towards the 2% target, hence suggested a restrictive approach. Elsewhere, speculation reigned over BoJ's intervention, to support yen. Similar speculation persisted over PBOC, where CNY weakened and traded close to its lower end of fixed daily trading band. On domestic front, external debt to GDP ratio fell to 18.7% in Mar'24 from 19% in Mar'23 and debt service ratio improved.

- Global indices ended mixed. Dow Jones closed lower as investors monitored subdued data print (consumer confidence moderated marginally) and awaited the crucial PCE report. FTSE slid as investors awaited UK's GDP print and remained cautious ahead of the parliamentary elections. Sensex jumped by 0.9% to a record high, led by a strong rally in IT and banking stocks. It is trading lower today while other Asian indices are trading mixed.

Fig 1 – Stock markets

	24-06-2024	25-06-2024	Change, %
Dow Jones	39,411	39,112	(0.8)
S & P 500	5,448	5,469	0.4
FTSE	8,282	8,248	(0.4)
Nikkei	38,805	39,173	0.9
Hang Seng	18,028	18,073	0.3
Shanghai Comp	2,963	2,950	(0.4)
Sensex	77,341	78,054	0.9
Nifty	23,538	23,721	0.8

Source: Bloomberg, Bank of Baroda Research

- Global currencies traded in thin ranges. DXY rose by 0.1% led by hawkish comments from Fed Governor Bowman. However, gains were limited by a moderation in US consumer confidence index. Both EUR and JPY continued to decline further. INR appreciated, amidst improved external position. However, it is trading weaker today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	24-06-2024	25-06-2024	Change, %
EUR/USD (1 EUR / USD)	1.0736	1.0716	(0.2)
GBP/USD (1 GBP / USD)	1.2686	1.2687	0
USD/JPY (JPY / 1 USD)	159.62	159.70	(0.1)
USD/INR (INR / 1 USD)	83.47	83.43	0
USD/CNY (CNY / 1 USD)	7.2594	7.2629	0

Source: Bloomberg, Bank of Baroda



- Global yields traded thinly. US 10Y yield rose a tad tracking mixed comments from Fed officials. All eyes are on US PCE data where some softening is anticipated. UK 10Y yield closed stable. Germany's 10Y yield softened a tad bit. India's 10Y yield closed stable as reports suggested much of frontloading by FPIs has already happened. It is trading at 6.99% today.

Fig 3 – Bond 10Y yield

	24-06-2024	25-06-2024	Change, bps
US	4.24	4.25	1
UK	4.08	4.08	0
Germany	2.42	2.41	(1)
Japan	0.99	1.00	1
China	2.30	2.29	(1)
India	6.97	6.98	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	21-06-2024	24-06-2024	change in bps
Tbill-91 days	6.81	6.79	(2)
Tbill-182 days	6.95	6.94	(1)
Tbill-364 days	6.98	6.96	(2)
G-Sec 2Y	6.96	6.94	(1)
India OIS-2M	6.70	6.70	0
India OIS-9M	6.76	6.77	1
SONIA int rate benchmark	5.20	5.20	0
US SOFR	5.33	5.33	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	24-06-2024	25-06-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.7	1.5	(0.2)
Reverse Repo	0	0	0
Repo	1.8	2.0	0.2

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	24-06-2024	25-06-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	352.2	157.7	(194.5)
Debt	137.1	54.7	(82.5)
Equity	215.1	103.0	(112.0)
Mutual funds (Rs cr)	6,128.2	4,424.4	(1,703.8)
Debt	(478.4)	4,662.0	5,140.4
Equity	6,606.6	(237.5)	(6,844.1)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 19 June and 20 June 2024

- Oil prices eased amidst reports of a build-up in US crude oil inventories.

Fig 7 – Commodities

	24-06-2024	25-06-2024	% change
Brent crude (US\$/bbl)	86.0	84.9	(1.3)
Gold (US\$/ Troy Ounce)	2,334.7	2,319.4	(0.7)
Copper (US\$/ MT)	9,525.0	9,491.5	(0.4)
Zinc (US\$/MT)	2,798.0	2,807.0	0.3
Aluminium (US\$/MT)	2,503.0	2,496.0	(0.3)

Source: Bloomberg, Bank of Baroda Research



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