

## MORNING MOCHA

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World Bank has upgraded its global growth forecast to 2.6% in 2024, from 2.4% estimated earlier. The upward revision is largely attributed to stronger than expected growth in US (2.5% versus 1.6% earlier). For India, growth forecast for FY25 has been revised upwards to 6.6% from 6.4% expected earlier on the back of sustained domestic demand, buoyant services sector and improvement in investment. Separately, CPI inflation in China remained steady at 0.3% in May'24, lower than an estimated 0.4% increase, providing further evidence that domestic demand remains weak. PPI declined at a slower pace of 1.4% (est. 1.5% drop) compared with a decline of 2.5% in Apr'24. In UK, unemployment rate edged up to 4.4% in Feb-Apr'24 from 4.3% in Jan-Mar'24. Wage growth remained sticky, denting expectations of a rate cut in Jun'24.

- Except Japan (higher), global indices ended lower amidst reallocation of assets before Fed policy decision and US CPI print. Markets expect the Fed to revise its forecasts of inflation and unemployment rate upwards. Hang Seng's fell by 1%, led by auto stocks ahead of Europe's tariff decision. Sensex closed flat. It is trading higher today, while other Asian stocks are trading mixed.

**Fig 1 – Stock markets**

	10-06-2024	11-06-2024	Change, %
Dow Jones	38,868	38,747	(0.3)
S & P 500	5,361	5,375	0.3
FTSE	8,228	8,148	(1.0)
Nikkei	39,038	39,135	0.2
Hang Seng	18,367	18,176	(1.0)
Shanghai Comp	3,051	3,028	(0.8)
Sensex	76,490	76,457	0
Nifty	23,259	23,265	0

Source: Bloomberg, Bank of Baroda Research

- Except GBP, other global currencies depreciated against the dollar. Movement in the global forex market was limited as investors await US CPI report and the outcome of Fed policy meeting. DXY hovered around a 1-month high putting pressure on EM currencies. INR depreciated to a record low. However, it is trading stronger today, while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	10-06-2024	11-06-2024	Change, %
EUR/USD (1 EUR / USD)	1.0765	1.0741	(0.2)
GBP/USD (1 GBP / USD)	1.2731	1.2740	0.1
USD/JPY (JPY / 1 USD)	157.04	157.13	(0.1)
USD/INR (INR / 1 USD)	83.51	83.57	(0.1)
USD/CNY (CNY / 1 USD)	7.2478	7.2544	(0.1)

Source: Bloomberg, Bank of Baroda



- Global yields closed lower led by a risk off sentiment before Fed policy decision. Hawkish comments from ECB officials and sticky earnings growth in the UK, also could not arrest the fall in global yields. US 10Y yield fell the most, followed by UK and Germany. India's 10Y yield fell by 2bps to 7.01% and is trading at the same level today.

**Fig 3 – Bond 10Y yield**

	10-06-2024	11-06-2024	Change, bps
US	4.47	4.40	(6)
UK	4.32	4.27	(5)
Germany	2.67	2.62	(5)
Japan	1.04	1.03	(2)
China	2.31	2.31	0
India	7.03	7.01	(2)

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	10-06-2024	11-06-2024	change in bps
Tbill-91 days	6.84	6.84	0
Tbill-182 days	6.99	6.98	(1)
Tbill-364 days	7.02	7.00	(2)
G-Sec 2Y	7.00	7.00	(1)
India OIS-2M	6.71	6.71	0
India OIS-9M	6.77	6.76	(1)
SONIA int rate benchmark	5.20	5.20	0
US SOFR	5.33	5.32	(1)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	07-06-2024	10-06-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.1	0.2	0.1
Reverse Repo	0	0	0
Repo	0.5	0.5	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	07-06-2024	10-06-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	796.6	325.8	(470.8)
Debt	154.7	(17.7)	(172.3)
Equity	642.0	343.5	(298.5)
Mutual funds (Rs cr)	2,374.7	(905.3)	(3,279.9)
Debt	(2,226.9)	(64.9)	2,162.0
Equity	4,601.6	(840.4)	(5,441.9)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 6 June and 7 June 2024

- Oil prices rose as EIA raised its oil demand forecast for CY24.

**Fig 7 – Commodities**

	10-06-2024	11-06-2024	% change
Brent crude (US\$/bbl)	81.6	81.9	0.4
Gold (US\$/ Troy Ounce)	2,310.9	2,317.0	0.3
Copper (US\$/ MT)	9,765.9	9,630.4	(1.4)
Zinc (US\$/MT)	2,788.6	2,709.1	(2.9)
Aluminium (US\$/MT)	2,572.0	2,533.5	(1.5)

Source: Bloomberg, Bank of Baroda Research



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