

MORNING MOCHA

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US CPI remained unchanged in May'24 (est. 0.1% increase), after increasing by 0.3% in Apr'24 on a YoY basis. Core CPI too moderated to 0.2% from 0.3% in Apr'24. Even so, the Fed remained cautious and indicated the possibility of only a single rate cut in 2024, down from 3 rate cuts expected at the beginning of the year. Notably, while the Fed kept its growth forecasts unchanged, inflation estimates (PCE and Core PCE) for both 2024 and 2025 were revised up by 20bps and 10bps respectively. Separately, unemployment rate in Australia eased to 4% in May'24 from 4.1%, providing some comfort to policy makers. In UK, GDP growth was flat in Apr'24 following a 0.4% rise in Mar'24. In India, CPI inflation eased marginally to 4.75%, led by lower core inflation despite sticky food inflation. IIP growth eased to a 3-month low at 5% from 5.4% in Mar'24, due to moderation in manufacturing output.

- Global equity indices closed mixed. Investors remained cautious tracking Fed policy which showed that majority of FOMC members favoured one quarter point cut in CY24, down from three earlier. Easing US CPI also impacted investor sentiments. S&P 500 and FTSE inched up. Hang Seng moderated amidst reports of 38% tariff hike on Chinese EVs by EU. Sensex rose by 0.2%. It is trading higher today, while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	11-06-2024	12-06-2024	Change, %
Dow Jones	38,747	38,712	(0.1)
S & P 500	5,375	5,421	0.9
FTSE	8,148	8,215	0.8
Nikkei	39,135	38,877	(0.7)
Hang Seng	18,176	17,938	(1.3)
Shanghai Comp	3,028	3,037	0.3
Sensex	76,457	76,607	0.2
Nifty	23,265	23,323	0.2

Source: Bloomberg, Bank of Baroda Research

- DXY snapped its 3-day streak and ended lower after a weaker than expected US inflation report. EUR gained the most by 0.6% amidst hawkish comments from ECB officials. INR appreciated marginally. It is trading further stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	11-06-2024	12-06-2024	Change, %
EUR/USD (1 EUR / USD)	1.0741	1.0809	0.6
GBP/USD (1 GBP / USD)	1.2740	1.2798	0.5
USD/JPY (JPY / 1 USD)	157.13	156.72	0.3
USD/INR (INR / 1 USD)	83.57	83.54	0
USD/CNY (CNY / 1 USD)	7.2544	7.2405	0.2

Source: Bloomberg, Bank of Baroda



- Except China and India (stable), global yields closed lower. UK's 10Y yield fell at the sharpest pace as GDP data remained flat and industrial production weakened, strengthening the case for rate cut to support growth. 10Y yields in US and Germany fell by 9bps each, as Fed dot plot suggested faster pace of rate cuts in CY25. India's 10Y yield is trading lower at 6.99% today.

Fig 3 – Bond 10Y yield

	11-06-2024	12-06-2024	Change, bps
US	4.40	4.32	(9)
UK	4.27	4.13	(14)
Germany	2.62	2.53	(9)
Japan	1.03	0.99	(4)
China	2.31	2.31	0
India	7.01	7.01	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	11-06-2024	12-06-2024	change in bps
Tbill-91 days	6.84	6.83	(1)
Tbill-182 days	6.98	6.98	0
Tbill-364 days	7.00	7.01	1
G-Sec 2Y	7.00	6.99	(1)
India OIS-2M	6.71	6.71	0
India OIS-9M	6.76	6.77	1
SONIA int rate benchmark	5.20	5.20	0
US SOFR	5.32	5.32	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	11-06-2024	12-06-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.1	0.1	0
Reverse Repo	0	0	0
Repo	0.5	0.5	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	10-06-2024	11-06-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	325.8	(292.3)	(618.1)
Debt	(17.7)	(299.2)	(281.5)
Equity	343.5	6.8	(336.7)
Mutual funds (Rs cr)	(905.3)	2,888.1	3,793.3
Debt	(64.9)	(488.0)	(423.1)
Equity	(840.4)	3,376.1	4,216.4

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 7 June and 10 June 2024

- Oil prices rose despite build up in US inventories.

Fig 7 – Commodities

	11-06-2024	12-06-2024	% change
Brent crude (US\$/bbl)	81.9	82.6	0.8
Gold (US\$/ Troy Ounce)	2,317.0	2,325.0	0.3
Copper (US\$/ MT)	9,630.4	9,821.0	2.0
Zinc (US\$/MT)	2,709.1	2,841.1	4.9
Aluminium (US\$/MT)	2,533.5	2,575.5	1.7

Source: Bloomberg, Bank of Baroda Research



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