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Providing fresh cues of abating inflationary pressures, PPI inflation in US declined unexpectedly by 0.2% in May'24 (est. +0.1%) following a 0.5% increase in Apr'24. Separately, US weekly jobless claims rose to 242,000 (est. 225,000), to the highest level since Aug'23, suggesting a weakening momentum in the labour market. Together, the data has brought back a Sep'24 rate cut back in play. Notably, updated projections by the Fed indicate that the central bank is likely to undertake only a 25bps rate cut in 2024. Separately, Bank of Japan held its policy rates as widely expected. However, the central bank refrained from giving clarity on reducing its bond purchase programme, deferring the decision to its next policy meeting.

- Global equity indices closed mixed. Investors remained cautious tracking US increase in US jobless and softening PPI inflation. Reports of China's retaliatory actions against EU tariff also impacted investor sentiments. Investors also await clarity on BoJ's approach to reduction in bond purchase, which remains hazy. Hang Seng inched up, while European stocks moderated. Sensex rose by 0.3%. It is trading lower today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	12-06-2024	13-06-2024	Change, %
Dow Jones	38,712	38,647	(0.2)
S & P 500	5,421	5,434	0.2
FTSE	8,215	8,164	(0.6)
Nikkei	38,877	38,720	(0.4)
Hang Seng	17,938	18,113	1.0
Shanghai Comp	3,037	3,029	(0.3)
Sensex	76,607	76,811	0.3
Nifty	23,323	23,399	0.3

Source: Bloomberg, Bank of Baroda Research

- Global currencies depreciated against the dollar. DXY rose by 0.5% even as US PPI unexpectedly declined in May'24. EUR depreciated the most by 0.7% as Eurozone's industrial production in Apr'24 was weaker than expected. INR ended little changed. It is trading a tad stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	12-06-2024	13-06-2024	Change, %
EUR/USD (1 EUR / USD)	1.0809	1.0737	(0.7)
GBP/USD (1 GBP / USD)	1.2798	1.2762	(0.3)
USD/JPY (JPY / 1 USD)	156.72	157.03	(0.2)
USD/INR (INR / 1 USD)	83.54	83.55	0
USD/CNY (CNY / 1 USD)	7.2405	7.2525	(0.2)

Source: Bloomberg, Bank of Baroda



- Except UK (stable), global yields closed lower. US 10Y yield fell at the sharpest pace by 7bps supported by softening PPI and higher jobless claims data. 10Y yield in Germany also showed moderation amidst expectation of a faster pace of easing in global monetary policy in CY25. India's 10Y yield fell by 2bps. It is trading lower at 6.98% today, ahead of the weekly auction results.

Fig 3 – Bond 10Y yield

	12-06-2024	13-06-2024	Change, bps
US	4.32	4.24	(7)
UK	4.13	4.12	0
Germany	2.53	2.47	(6)
Japan	0.99	0.98	(1)
China	2.31	2.30	(1)
India	7.01	6.99	(2)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	12-06-2024	13-06-2024	change in bps
Tbill-91 days	4.32	4.24	(7)
Tbill-182 days	4.13	4.12	0
Tbill-364 days	2.53	2.47	(6)
G-Sec 2Y	0.99	0.98	(1)
India OIS-2M	2.31	2.30	(1)
India OIS-9M	7.01	6.99	(2)
SONIA int rate benchmark	4.32	4.24	(7)
US SOFR	4.13	4.12	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	12-06-2024	13-06-2024	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

	11-06-2024	12-06-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(292.3)	331.6	624.0
Debt	(299.2)	250.3	549.5
Equity	6.8	81.3	74.5
Mutual funds (Rs cr)	2,888.1	2,092.6	(795.5)
Debt	(488.0)	(1,724.3)	(1,236.2)
Equity	3,376.1	3,816.9	440.8

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 10 June and 11 June 2024

- Oil prices increased further amidst a strong demand outlook.

Fig 7 – Commodities

	12-06-2024	13-06-2024	% change
Brent crude (US\$/bbl)	82.6	82.8	0.2
Gold (US\$/ Troy Ounce)	2,325.0	2,304.2	(0.9)
Copper (US\$/ MT)	9,821.0	9,663.7	(1.6)
Zinc (US\$/MT)	2,841.1	2,804.3	(1.3)
Aluminium (US\$/MT)	2,575.5	2,557.0	(0.7)

Source: Bloomberg, Bank of Baroda Research



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