

MORNING MOCHA

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ECONOMIST

Jahnvi Prabhakar

Retail sales in US inched up at a much slower pace than anticipated at 0.1% in May'24 (estm: 0.3%). This was attributed to the drop in sales at gasoline stations (-2.2% in May'24) on the back of lower gasoline prices and lower sales in furniture and home furnishing. This also signalled that consumers are cutting down on discretionary spending due to higher prices and interest rates. Also, banks have been tightening credit access towards low-income borrowers. Against this, the market is expecting the Fed to begin the easing cycle from Sep'24 onwards. BoJ in the minutes highlighted, there remain upside risks to inflation from weaker Yen, tight labour market and expanding fiscal policy. It also noted currency movement is amongst key a factor impacting the economy and prices.

- Barring Hang Seng, other global equity indices closed mixed. US indices inched up supported by rally in financial stocks and supported by gains in AI stocks. Awaiting the result of rate decision by BoE, European stocks climbed higher, with gains in construction stocks. A rally in real estate and consumer durable stocks, pushed Sensex higher. It is trading higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	17-06-2024	18-06-2024	Change, %
Dow Jones	38,778	38,835	0.1
S & P 500	5,473	5,487	0.3
FTSE	8,142	8,191	0.6
Nikkei	38,102	38,482	1.0
Hang Seng	17,936	17,916	(0.1)
Shanghai Comp	3,016	3,030	0.5
Sensex	76,993	77,301	0.4
Nifty	23,466	23,558	0.4

Source: Bloomberg, Bank of Baroda Research | Note: Indian markets were shut on 17.06.24

- Global currencies closed mixed. DXY fell by 0.1%, tracking weakness in US macros and due to increased probability of rate cut (67%) by Fed in Sep'24. INR and EUR gained the most against the dollar, while JPY fell. INR appreciated by 0.2%, supported by FPI inflows. It is trading even stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	17-06-2024	18-06-2024	Change, %
EUR/USD (1 EUR / USD)	1.0734	1.0740	0.1
GBP/USD (1 GBP / USD)	1.2705	1.2709	0
USD/JPY (JPY / 1 USD)	157.74	157.86	(0.1)
USD/INR (INR / 1 USD)	83.55	83.41	0.2
USD/CNY (CNY / 1 USD)	7.2561	7.2539	0

Source: Bloomberg, Bank of Baroda | Note: Indian markets were shut on 17.06.24



- Except Japan (higher), other global yields closed lower. UK and US 10Y yield fell the most. Weaker than expected retail sales data in the US, and the hopes of UK inflation nearing 2% mark, led to dip in yields. India's 10Y yield fell, even as oil prices rose. Tracking global cues, it is trading even lower today at 6.97%.

Fig 3 – Bond 10Y yield

	17-06-2024	18-06-2024	Change, bps
US	4.28	4.22	(6)
UK	4.12	4.05	(7)
Germany	2.41	2.40	(2)
Japan	0.94	0.94	1
China	2.26	2.26	(1)
India	6.99	6.98	(1)

Source: Bloomberg, Bank of Baroda Research | Note: Indian markets were shut on 17.06.24

Fig 4 – Short term rates

	17-06-2024	18-06-2024	change in bps
Tbill-91 days	6.93	6.90	(3)
Tbill-182 days	6.94	6.96	2
Tbill-364 days	6.98	6.96	(2)
G-Sec 2Y	6.98	6.98	0
India OIS-2M	6.70	6.70	0
India OIS-9M	6.75	6.76	1
SONIA int rate benchmark	5.20	5.20	0
US SOFR	5.31	5.33	2

Source: Bloomberg, Bank of Baroda Research | Note: Indian markets were shut on 17.06.24

Fig 5 – Liquidity

Rs tn	14-06-2024	18-06-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.6	1.5	0.9
Reverse Repo	0	0	0
Repo	0	0.8	0.8

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	13-06-2024	14-06-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	446.4	492.5	46.2
Debt	114.8	105.4	(9.4)
Equity	331.6	387.2	55.6
Mutual funds (Rs cr)	3,335.1	1,347.6	(1,987.6)
Debt	2,353.2	1,250.0	(1,103.2)
Equity	982.0	97.6	(884.4)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 12 June and 13 June 2024

- Oil prices rose again, due to escalated geo-political tensions in the Middle East.

Fig 7 – Commodities

	17-06-2024	18-06-2024	% change
Brent crude (US\$/bbl)	84.3	85.3	1.3
Gold (US\$/ Troy Ounce)	2,319.1	2,329.5	0.4
Copper (US\$/ MT)	9,536.8	9,532.3	0
Zinc (US\$/MT)	2,764.5	2,782.7	0.7
Aluminium (US\$/MT)	2,501.5	2,486.5	(0.6)

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

Chief Economist

Bank of Baroda

+91 22 6698 5143

chief.economist@bankofbaroda.com