

MORNING MOCHA

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ECONOMIST

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In China, PBoC kept the interest rate unchanged with the 1-year lending rate at 3.45% and 5-year LPR at 3.95%. The 5-year LPR was last reduced in Feb'24 by 25bps in order to support the housing market. In UK, headline inflation was back at the 2% target level in May'24 from 2.3% in Apr'24, supported by the sharp drop in food prices. However, service inflation declined at a much slower pace than anticipated at 5.7%, raising the possibility of BoE to continue for higher for longer. In New Zealand, the economy exited recession after better than expected GDP print. The economy expanded by 0.2% in Q1CY24 after contracting by 0.1% in Q4CY23. On a YoY basis the economy rose by 0.3% higher than estimated 0.2%. On domestic front, the Cabinet increased the MSP of 14 kharif crops for the agriculture year 2024-25, ahead of the sowing season.

- Barring Shanghai Comp and Nifty, other global equity indices closed higher. FTSE registered gains as investors monitored inflation (2% mark for the first time in 3-years) ahead of the BoE's rate decision. Sensex ended flat as the gains in banking stocks were offset by sharp losses in real estate and capital good stocks. However, it is trading lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	18-06-2024	19-06-2024	Change, %
Dow Jones	38,778	38,835	0.1
S & P 500	5,473	5,487	0.3
FTSE	8,191	8,205	0.2
Nikkei	38,482	38,571	0.2
Hang Seng	17,916	18,430	2.9
Shanghai Comp	3,030	3,018	(0.4)
Sensex	77,301	77,338	0
Nifty	23,558	23,516	(0.2)

Source: Bloomberg, Bank of Baroda Research | Note: US markets were shut on 18.06.24

- Global currencies closed mixed. DXY ended flat, amidst thin trading due to Juneteenth holiday in the US. GBP gained, as services inflation related concerns are expected to keep rates higher for longer in the UK. INR ended flat, and is trading unchanged even today, while other Asian currencies are trading lower.

Fig 2 – Currencies

	18-06-2024	19-06-2024	Change, %
EUR/USD (1 EUR / USD)	1.0740	1.0744	0
GBP/USD (1 GBP / USD)	1.2709	1.2720	0.1
USD/JPY (JPY / 1 USD)	157.86	158.09	(0.1)
USD/INR (INR / 1 USD)	83.41	83.45	0
USD/CNY (CNY / 1 USD)	7.2539	7.2571	0

Source: Bloomberg, Bank of Baroda | Note: US markets were shut on 18.06.24



- Major global yields closed mixed. 10Y yield in UK and Germany inched up, while it fell in China and Japan. Higher than expected services inflation in the UK (5.7% versus est.: 5.5%) impacted investor sentiments, and raised chances of BoE waiting longer before cutting rates. India's 10Y yield fell, tracking dip in oil prices. It is trading flat today at 6.97%, awaiting fresh cues.

Fig 3 – Bond 10Y yield

	18-06-2024	19-06-2024	Change, bps
US	4.28	4.22	(6)
UK	4.05	4.07	2
Germany	2.40	2.40	1
Japan	0.94	0.93	(1)
China	2.26	2.25	(1)
India	6.98	6.97	0

Source: Bloomberg, Bank of Baroda Research | Note: US markets were shut on 18.06.24

Fig 4 – Short term rates

	18-06-2024	19-06-2024	change in bps
Tbill-91 days	6.90	6.81	(9)
Tbill-182 days	6.96	6.95	(1)
Tbill-364 days	6.96	6.98	2
G-Sec 2Y	6.98	6.96	(3)
India OIS-2M	6.70	6.70	(0)
India OIS-9M	6.76	6.76	0
SONIA int rate benchmark	5.20	5.20	0
US SOFR	5.31	5.33	2

Source: Bloomberg, Bank of Baroda Research | Note: US markets were shut on 18.06.24

Fig 5 – Liquidity

Rs tn	18-06-2024	19-06-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.5	1.6	0.1
Reverse Repo	0	0	0
Repo	0.8	1.8	1.0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	14-06-2024	18-06-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	492.5	453.3	(39.2)
Debt	105.4	264.5	159.1
Equity	387.2	188.8	(198.3)
Mutual funds (Rs cr)	1,347.6	(817.4)	(2,165.0)
Debt	1,250.0	(1,608.0)	(2,857.9)
Equity	97.6	790.6	693.0

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 13 June and 14 June 2024

- Oil prices fell, ahead of US crude inventories report, due for release today.

Fig 7 – Commodities

	18-06-2024	19-06-2024	% change
Brent crude (US\$/bbl)	85.3	85.1	(0.3)
Gold (US\$/ Troy Ounce)	2,329.5	2,328.2	(0.1)
Copper (US\$/ MT)	9,532.3	9,647.2	1.2
Zinc (US\$/MT)	2,782.7	2,813.6	1.1
Aluminium (US\$/MT)	2,486.5	2,499.0	0.5

Source: Bloomberg, Bank of Baroda Research



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