

MORNING MOCHA

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ECONOMIST

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In line with expectation, BoE maintained status quo and kept rates unchanged at 5.25% (16-year high), The committee noted that inflation has reached its target mandate with indicators of 'short term inflation expectations' and wage growth moderating. 7-members voted to hold rate while 2 voted for rate cut. There is a 50% likelihood of rate cut in Aug'24 policy meet. On the other hand, SNB trimmed rates for second time this year by 25bps to 1.25% with expectation of 1% and 1.5% growth in CY24 and CY25 respectively. Separately, Japan's headline inflation rose to 2.8% from 2.5% in Apr'24 with core inflation inching up to 2.6% (2.2% in Apr'24). On the currency front, Yen dropped to a record low and raised the possibility of BoJ intervention. In the US, jobless claims remained elevated with the 4-week average claims rising to 232,750 (highest level since Sep'23).

- Global equity indices closed mixed. S&P 500 ended lower as investors' monitored commentary by Fed officials and economic data (jobs data and housing starts). FTSE gained after BoE kept rates unchanged as was expected. Sensex ended in green led by gains in real estate and metal stocks. It is trading higher today, while other Asian stocks are trading lower.

Fig 1 – Stock markets

	19-06-2024	20-06-2024	Change, %
Dow Jones	38,835	39,135	0.8
S & P 500	5,487	5,473	(0.3)
FTSE	8,205	8,272	0.8
Nikkei	38,571	38,633	0.2
Hang Seng	18,430	18,335	(0.5)
Shanghai Comp	3,018	3,005	(0.4)
Sensex	77,338	77,479	0.2
Nifty	23,516	23,567	0.2

Source: Bloomberg, Bank of Baroda Research | Note: US markets were shut on 19.06.24

- Barring CNY (flat), other major global currencies fell against the dollar. DXY rose by 0.3%, tracking gains in treasury yields. GBP and JPY depreciated the most. Increased chances of BoE lowering the rates in Aug'24, led the slide in GBP. INR fell by 0.2% (record low), in the wake of rising oil prices. However, it is trading higher today, while other Asian currencies are trading lower.

Fig 2 – Currencies

	19-06-2024	20-06-2024	Change, %
EUR/USD (1 EUR / USD)	1.0744	1.0702	(0.4)
GBP/USD (1 GBP / USD)	1.2720	1.2657	(0.5)
USD/JPY (JPY / 1 USD)	158.09	158.93	(0.5)
USD/INR (INR / 1 USD)	83.45	83.65	(0.2)
USD/CNY (CNY / 1 USD)	7.2571	7.2604	0

Source: Bloomberg, Bank of Baroda | Note: US markets were shut on 19.06.24



- Major global yields closed mixed. 10Y yields in US, Germany and Japan jumped the most. Despite signs of slowdown in the US (initial jobless claims, housing starts), yields went up. Escalating geo-political tensions in the Middle East also impacted investor sentiments. India's 10Y yield ended flat, awaiting fresh cues. It is trading at similar levels (6.98%) today.

Fig 3 – Bond 10Y yield

	19-06-2024	20-06-2024	Change, bps
US	4.22	4.26	4
UK	4.07	4.06	(1)
Germany	2.40	2.43	3
Japan	0.93	0.96	3
China	2.25	2.25	0
India	6.97	6.98	0

Source: Bloomberg, Bank of Baroda Research | Note: US markets were shut on 19.06.24

Fig 4 – Short term rates

	19-06-2024	20-06-2024	change in bps
Tbill-91 days	6.81	6.79	(2)
Tbill-182 days	6.95	6.94	(1)
Tbill-364 days	6.98	6.96	(2)
G-Sec 2Y	6.96	6.94	(1)
India OIS-2M	6.70	6.70	0
India OIS-9M	6.76	6.77	1
SONIA int rate benchmark	5.20	5.20	0
US SOFR	5.33	5.33	0

Source: Bloomberg, Bank of Baroda Research | Note: US markets were shut on 19.06.24

Fig 5 – Liquidity

Rs tn	19-06-2024	20-06-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.6	1.5	(0.1)
Reverse Repo	0	0	0
Repo	1.8	1.8	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	18-06-2024	19-06-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	453.3	1,200.9	747.6
Debt	264.5	101.0	(163.5)
Equity	188.8	1,099.9	911.0
Mutual funds (Rs cr)	(817.4)	2,592.0	3,409.3
Debt	(1,608.0)	(71.8)	1,536.2
Equity	790.6	2,663.8	1,873.2

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 14 June and 18 June 2024

- Oil prices rose amidst concerns of falling inventories and higher for longer rates.

Fig 7 – Commodities

	19-06-2024	20-06-2024	% change
Brent crude (US\$/bbl)	85.1	85.7	0.8
Gold (US\$/ Troy Ounce)	2,328.2	2,360.1	1.4
Copper (US\$/ MT)	9,647.2	9,721.5	0.8
Zinc (US\$/MT)	2,813.6	2,816.0	0.1
Aluminium (US\$/MT)	2,499.0	2,521.5	0.9

Source: Bloomberg, Bank of Baroda Research



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