

MORNING MOCHA

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ECONOMIST

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In a data light trading day, investors remained cautious. Political events are also at play. The first US Presidential debate is scheduled this week. The first round of voting in the French election is due. On economic front, summary of BoJ's opinions suggested that central bank is eyeing for calibrated rate hike amidst anticipation of inflation overshooting its target level. Elsewhere, San Francisco Fed President expressed her reservations over early rate cuts before getting necessary comfort on the trajectory of inflation. Elsewhere, ECB official said that interest rates are unlikely to diverge with the US. On domestic front, India's current account balance recorded a surplus of US\$ 5.7 bn (0.6% of GDP) in Q4:FY24 as against a deficit of US\$ 8.7 bn (1.0% of GDP), led by a lower trade deficit.

- Global equity indices ended mixed with the focus shifting towards the upcoming PCE data which is likely to offer more guidance on the interest rate outlook. European indices closed in green ahead of the crucial French parliamentary election. Automobile and financial stocks gained the most. Sensex edged up by 0.2%, supported by gains in power and auto stocks. It is trading higher today in line with other Asian stocks.

Fig 1 – Stock markets

	21-06-2024	24-06-2024	Change, %
Dow Jones	39,150	39,411	0.7
S & P 500	5,465	5,448	(0.3)
FTSE	8,238	8,282	0.5
Nikkei	38,596	38,805	0.5
Hang Seng	18,029	18,028	(0.0)
Shanghai Comp	2,998	2,963	(1.2)
Sensex	77,210	77,341	0.2
Nifty	23,501	23,538	0.2

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed higher against the dollar. DXY slid by 0.3% ahead of key inflation reading. EUR rose the most by 0.4% as focus shifted towards French Elections. JPY appreciated a tad but remained close to 160/\$ mark, a level likely to be guarded by the BoJ. INR appreciated, following global cues. It is trading further stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	21-06-2024	24-06-2024	Change, %
EUR/USD (1 EUR / USD)	1.0693	1.0736	0.4
GBP/USD (1 GBP / USD)	1.2645	1.2687	0.3
USD/JPY (JPY / 1 USD)	159.80	159.62	0.1
USD/INR (INR / 1 USD)	83.54	83.47	0.1
USD/CNY (CNY / 1 USD)	7.2610	7.2594	0

Source: Bloomberg, Bank of Baroda



- US 10Y yield showed some moderation ahead of PCE data. Absence of fresh data led 10Y yields of other economies to trade in a narrow range. India's 10Y yield closed stable. All eyes this week will be on the frontloading of FPIs in debt. The FAR holdings of the benchmark security are at 4.43% which was at 3.73% a week before. India's 10Y yield is trading at the same level today (6.97%).

Fig 3 – Bond 10Y yield

	21-06-2024	24-06-2024	Change, bps
US	4.26	4.24	(2)
UK	4.09	4.08	0
Germany	2.41	2.42	1
Japan	0.98	0.99	1
China	2.31	2.30	(1)
India	6.97	6.97	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	21-06-2024	24-06-2024	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

Fig 5 – Liquidity

Rs tn	21-06-2024	24-06-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.6	1.7	0.1
Reverse Repo	0	0	0
Repo	1.8	1.8	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	21-06-2024	24-06-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	262.0	352.2	90.2
Debt	112.6	137.1	24.5
Equity	149.4	215.1	65.7
Mutual funds (Rs cr)	6,128.2	4,424.4	(1,703.8)
Debt	(478.4)	4,662.0	5,140.4
Equity	6,606.6	(237.5)	(6,844.1)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 19 June and 20 June 2024

- Expectations of demand revival pushed global oil prices upwards.

Fig 7 – Commodities

	21-06-2024	24-06-2024	% change
Brent crude (US\$/bbl)	85.2	86.0	0.9
Gold (US\$/ Troy Ounce)	2,322.0	2,334.7	0.5
Copper (US\$/ MT)	9652.0	9,525.0	(1.3)
Zinc (US\$/MT)	2,786.0	2,798	0.4
Aluminium (US\$/MT)	2,513.5	2,503.0	(0.4)

Source: Bloomberg, Bank of Baroda Research



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