

MORNING MOCHA

28 June 2024

ECONOMIST

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Slew of data releases were scheduled in the US. The third estimate of Q1GDP was marginally higher at 1.4%, QoQ (1.3%, earlier). However, personal consumption was a tad lower at 1.5% (previous estimate: 2%). Initial jobless claims moderated a bit, albeit continuing claims remained higher. Durable goods orders inched up, despite core orders softening. Elsewhere, Tokyo CPI data remained firm with core inflation inching up, signalling monetary policy normalisation. On domestic front, all eyes will be on India's inclusion to the global bond index and its impact on FPI flows which is likely to happen in a calibrated manner. CY24 has already seen FPI debt inflows of US\$ 8.2bn, which might steepen in the coming days. Favourable domestic conditions in terms of liquidity, well-tuned government borrowing program and favourable fiscal dynamics, all favour softening domestic yields.

- Global indices ended higher. Stocks in US edged up as Q1 GDP was revised higher. Investors now await fresh cues on monetary policy from core PCE report due later today. Amongst other indices, Hang Seng dropped sharply by 2.1%. In India, Sensex rose by 0.7% to a fresh record high. Power and technology stocks gained the most. It is trading further higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	26-06-2024	27-06-2024	Change, %
Dow Jones	39,128	39,164	0.1
S & P 500	5,478	5,483	0.1
FTSE	8,225	8,180	(0.6)
Nikkei	39,667	39,342	(0.8)
Hang Seng	18,090	17,716	(2.1)
Shanghai Comp	2,973	2,946	(0.9)
Sensex	78,674	79,243	0.7
Nifty	23,869	24,045	0.7

Source: Bloomberg, Bank of Baroda Research

- Global currencies traded in thin ranges as focus remained on US core PCE report. DXY declined by 0.1% tracking mixed economic data. JPY strengthened a tad but remained above the 160/\$ mark. INR appreciated by 0.1% amidst expectations of higher FPI inflows ahead of bond inclusion. It is trading further stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	26-06-2024	27-06-2024	Change, %
EUR/USD (1 EUR / USD)	1.0681	1.0704	0.2
GBP/USD (1 GBP / USD)	1.2622	1.2639	0.1
USD/JPY (JPY / 1 USD)	160.81	160.76	0
USD/INR (INR / 1 USD)	83.58	83.46	0.1
USD/CNY (CNY / 1 USD)	7.2666	7.2688	0

Source: Bloomberg, Bank of Baroda



- Global yields closed mixed. US 10Y yield moderated tracking comments from Atlanta Fed President who affirmed that deflation pace is ongoing. UK and Germany's 10Y yield closed stable, in absence of fresh cues. India's 10Y yield closed stable ahead of historic bond inclusion. It is trading at the same level today.

Fig 3 – Bond 10Y yield

	26-06-2024	27-06-2024	Change, bps
US	4.33	4.29	(4)
UK	4.13	4.13	0
Germany	2.45	2.45	0
Japan	1.03	1.08	5
China	2.23	2.21	(2)
India	7.00	7.00	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	26-06-2024	27-06-2024	change in bps
Tbill-91 days	6.80	6.82	2
Tbill-182 days	6.89	6.90	1
Tbill-364 days	6.95	6.94	(1)
G-Sec 2Y	6.95	6.98	3
India OIS-2M	6.69	6.69	0
India OIS-9M	6.78	6.78	(1)
SONIA int rate benchmark	5.20	5.20	0
US SOFR	5.31	5.33	2

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	26-06-2024	27-06-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.5	0.9	0.6
Reverse Repo	0	0	0
Repo	2.0	1.0	(1.0)

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	25-06-2024	26-06-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	423.3	272.8	(150.5)
Debt	127.8	91.6	(36.2)
Equity	295.5	181.1	(114.3)
Mutual funds (Rs cr)	861.5	(5,632.5)	(6,494.0)
Debt	214.9	(5,098.9)	(5,313.8)
Equity	646.6	(533.5)	(1,180.1)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 21 June and 25 June 2024

- Oil prices inched up further amidst geo-political tensions in the Middle-East.

Fig 7 – Commodities

	26-06-2024	27-06-2024	% change
Brent crude (US\$/bbl)	85.3	86.4	1.3
Gold (US\$/ Troy Ounce)	2,298.2	2,327.7	1.3
Copper (US\$/ MT)	9,399.3	9,372.1	(0.3)
Zinc (US\$/MT)	2,885.9	2,872.2	(0.5)
Aluminium (US\$/MT)	2,512.0	2,492.5	(0.8)

Source: Bloomberg, Bank of Baroda Research



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