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ECONOMIST
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Global markets still centred around political developments in the US. Report suggested that the current VP of the US has enough pledged delegates to bag the nomination. On macro data front, there were no major releases. However, the coming days hold the cue as both growth and inflation data would shed some light on Fed's Jun rhetoric. As of now, two rate cuts are priced in for CY24. On domestic front, the Economic Survey for FY 2023-24, laid the roadmap for Viksit Bharat. It pegged India's growth rate at 6.5-7% in FY25, slightly lower than RBI's projection. On inflation, it said that twin shocks of the pandemic and geopolitical conflict had impinged on its print. All eyes will be on Union Budget where fiscal prudence will hold the key along with a nudge in consumption and investment spending.

- Global indices ended mixed. Investors assessed the political situation in the US after the current US President withdrew his re-election bid. Stocks in US rose, led by a rally in tech stocks. In China, stocks declined despite a rate cut by PBOC. Sensex declined by 0.1% led by losses in real estate and banking stocks. It is trading higher today ahead of the Budget announcement. Asian indices are also trading in green.

Fig 1 – Stock markets

	19-07-2024	22-07-2024	Change, %
Dow Jones	40,288	40,415	0.3
S & P 500	5,505	5,564	1.1
FTSE	8,156	8,199	0.5
Nikkei	40,064	39,599	(1.2)
Hang Seng	17,418	17,636	1.3
Shanghai Comp	2,982	2,964	(0.6)
Sensex	80,605	80,502	(0.1)
Nifty	24,531	24,509	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY fell by 0.1% tracking political uncertainty in the US. JPY appreciated by 0.3% as investors have increased bets of a rate hike by BoJ next week. INR depreciated marginally to close at a fresh record low, despite steady foreign inflows. However, it is trading stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	19-07-2024	22-07-2024	Change, %
EUR/USD (1 EUR / USD)	1.0882	1.0891	0.1
GBP/USD (1 GBP / USD)	1.2914	1.2933	0.1
USD/JPY (JPY / 1 USD)	157.48	157.04	0.3
USD/INR (INR / 1 USD)	83.66	83.67	0
USD/CNY (CNY / 1 USD)	7.2699	7.2738	(0.1)

Source: Bloomberg, Bank of Baroda

- Global yields broadly closed higher led by UK. Mounting public sector debt is weighing on UK's yield. Even Germany's 10Y yield firmed up awaiting comments of ECB official. India's 10Y yield closed stable and is trading at the same level. It is likely to have a softening bias as Budget would continue to focus on fiscal consolidation.

Fig 3 – Bond 10Y yield

	19-07-2024	22-07-2024	Change, bps
US	4.24	4.25	1
UK	4.12	4.16	4
Germany	2.47	2.50	3
Japan	1.04	1.06	1
China	2.26	2.24	(2)
India	6.96	6.97	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	19-07-2024	22-07-2024	change in bps
Tbill-91 days	6.72	6.73	1
Tbill-182 days	6.84	6.82	(2)
Tbill-364 days	6.85	6.84	(1)
G-Sec 2Y	6.89	6.89	0
India OIS-2M	6.63	6.64	0
India OIS-9M	6.71	6.72	1
SONIA int rate benchmark	5.20	5.20	0
US SOFR	5.34	5.34	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	19-07-2024	22-07-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.0)	(0.4)	0.6
Reverse Repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	18-07-2024	19-07-2024	change (US$ mn/Rs cr)
FII (US$ mn)	954.7	408.2	(546.5)
Debt	350.5	190.1	(160.5)
Equity	604.1	218.1	(386.0)
Mutual funds (Rs cr)	(2,395.7)	(428.4)	1,967.4
Debt	(496.6)	(399.5)	97.1
Equity	(1,899.1)	(28.8)	1,870.3

Source: Bloomberg, Bank of Baroda Research

- Oil prices continued to decline led by expectations of muted demand.

Fig 7 – Commodities

	19-07-2024	22-07-2024	% change
Brent crude (US$/bbl)	82.6	82.4	(0.3)
Gold (US$/ Troy Ounce)	2,400.8	2,396.6	(0.2)
Copper (US$/ MT)	9,179.3	9,090.7	(1.0)
Zinc (US$/MT)	2,716.7	2,664.0	(1.9)
Aluminium (US$/MT)	2,351.5	2,299.5	(2.2)

Source: Bloomberg, Bank of Baroda Research

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