

MORNING MOCHA

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While acknowledging the progress made in bringing inflation closer to the Fed's target, the Fed Chair refrained from providing a timeline for future rate cuts. He also noted the recent softening in labour market conditions, opens up space for looser monetary policy going ahead. In China, CPI inflation rose less than expected by 0.2% in Jun'24 (est. 0.4 %) YoY, as domestic demand remained weak. Deflation in PPI eased further to 0.8% from 1.4% in May'24, matching estimates. On the other hand, PPI inflation in Japan edged up to 2.9% in Jun'24 from 2.6% as a weak yen pushed up input prices. This along with increasing wages is likely to nudge the BoJ towards a possible interest rate hike expected by the markets. Separately, Reserve Bank of New Zealand kept interest rates steady and noted that inflation is likely to fall within its target in H2 2024. In India, RBI's financial inclusion index edged up in Mar'24, led by improvement in all three sub-indices (access, usage and quality).

- Global indices ended mixed. Investors monitored comments from Fed Chair who acknowledged that recent macro data has bolstered case for policy easing. Apart from this, political uncertainty in Europe, also weighed on investor sentiments. Nikkei rose the most, while FTSE edged down. Sensex inched up. It is trading lower today, while Asian stocks are trading higher.

Fig 1 – Stock markets

	08-07-2024	09-07-2024	Change, %
Dow Jones	39,345	39,292	(0.1)
S & P 500	5,573	5,577	0.1
FTSE	8,193	8,140	(0.7)
Nikkei	40,781	41,580	2.0
Hang Seng	17,524	17,523	0
Shanghai Comp	2,922	2,959	1.3
Sensex	79,960	80,352	0.5
Nifty	24,321	24,433	0.5

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed broadly lower against the dollar. DXY rose by 0.1% despite dovish comments from Fed Chair. JPY depreciated the most by 0.3%. INR closed broadly unchanged as a stronger dollar offset the drop in oil prices. It is trading flat today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	08-07-2024	09-07-2024	Change, %
EUR/USD (1 EUR / USD)	1.0824	1.0813	(0.1)
GBP/USD (1 GBP / USD)	1.2807	1.2786	(0.2)
USD/JPY (JPY / 1 USD)	160.83	161.33	(0.3)
USD/INR (INR / 1 USD)	83.50	83.49	0
USD/CNY (CNY / 1 USD)	7.2681	7.2726	(0.1)

Source: Bloomberg, Bank of Baroda



- Global yields closed mixed. In UK, 10Y yield firmed up by 5bps awaiting comments from BoE member. US 10Y yield rose by 2bps as investors remained cautious over future trajectory of Fed fund rates. China's 10Y yield fell a tad ahead of inflation data. India's 10Y yield closed stable and is trading flat today.

Fig 3 – Bond 10Y yield

	08-07-2024	09-07-2024	Change, bps
US	4.28	4.30	2
UK	4.11	4.16	5
Germany	2.54	2.58	4
Japan	1.10	1.09	0
China	2.29	2.28	(1)
India	6.99	6.99	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	08-07-2024	09-07-2024	change in bps
Tbill-91 days	6.76	6.73	(3)
Tbill-182 days	6.86	6.82	(4)
Tbill-364 days	6.91	6.90	(1)
G-Sec 2Y	6.93	6.93	0
India OIS-2M	6.68	6.68	0
India OIS-9M	6.75	6.75	0
SONIA int rate benchmark	5.20	5.20	0
US SOFR	5.32	5.32	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	08-07-2024	09-07-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.8)	(1.0)	(0.2)
Reverse Repo	0	0	0
Repo	0	0.2	0.2

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	05-07-2024	08-07-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	439.1	(9.3)	(448.4)
Debt	59.5	(28.7)	(88.2)
Equity	379.6	19.4	(360.2)
Mutual funds (Rs cr)	(1,143.4)	(1,611.4)	(468.0)
Debt	157.0	(1,886.3)	(2,043.3)
Equity	(1,300.4)	274.9	1,575.3

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 4 Jul and 5 Jul 2024

- Oil prices fell as supply disruptions from cyclone Beryl were less severe than expected.

Fig 7 – Commodities

	08-07-2024	09-07-2024	% change
Brent crude (US\$/bbl)	85.8	84.7	(1.3)
Gold (US\$/ Troy Ounce)	2,359.1	2,364.1	0.2
Copper (US\$/ MT)	9,760.0	9,711.0	(0.5)
Zinc (US\$/MT)	2,893.5	2,868.2	(0.9)
Aluminium (US\$/MT)	2,531.5	2,496.5	(1.4)

Source: Bloomberg, Bank of Baroda Research



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