

MORNING MOCHA

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Global markets await key US CPI report and the outcome of Fed policy meet this week; even as latest US jobs data dented prospects of a rate cut. While the Fed is expected to keep rates unchanged in this meeting, focus will be on any update to Fed's economic projections. US headline CPI is expected to moderate to 0.1% from 0.3% in Apr'24 (MoM). In Eurozone, the French President called for a snap election which spooked investor sentiment. Bank of Japan also meets this week and while no rate action is expected, focus will be on BoJ's bond purchase programme which is widely expected to be curtailed. In India, the Prime Minister allocated portfolios to the Union Cabinet ministers. Separately, CPI report due tomorrow is likely to show a marginal pickup in inflation led by higher food inflation.

- Global indices broadly ended lower. Markets remained cautious ahead of US CPI data and Fed policy, which is scheduled this week. Investors are refraining from holding any strong positions before the release of economic projections by Fed. Investors also eyed initial results of EU vote. Sensex rose by 2.2%, buoyed by positive political sentiment. It is trading lower today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	07-06-2024	10-06-2024	Change, %
Dow Jones	38,886	38,799	(0.2)
S & P 500	5,353	5,347	(0.1)
FTSE	8,285	8,245	(0.5)
Nikkei	38,704	38,684	(0.1)
Hang Seng	18,477	18,367	(0.6)
Shanghai Comp	3,049	3,051	0.1
Sensex	75,075	76,693	2.2
Nifty	22,821	23,290	2.1

Source: Bloomberg, Bank of Baroda Research | Note: Markets in China and Hong Kong were closed on 10 June 2024

- Global currencies broadly closed weaker against the dollar. DXY edged up by 0.3% ahead of Fed meeting and US CPI data. EUR depreciated the most amidst political uncertainty in France. INR too fell by 0.2% as oil prices inched up. However, it is trading stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	07-06-2024	10-06-2024	Change, %
EUR/USD (1 EUR / USD)	1.0801	1.0765	(0.3)
GBP/USD (1 GBP / USD)	1.2719	1.2731	0.1
USD/JPY (JPY / 1 USD)	156.75	157.04	(0.2)
USD/INR (INR / 1 USD)	83.38	83.51	(0.2)
USD/CNY (CNY / 1 USD)	7.2450	7.2478	0

Source: Bloomberg, Bank of Baroda | Note: Markets in China were closed on 10 June 2024



- Global yields closed higher. Japan's 10Y yield rose at the sharpest pace as market is anticipating fresh guidance on tapered bond buying. Expectation of a deferred rate cut by Fed impacted global 10Y yields. ECB Chief also hinted at a cautious approach on rates. India's 10Y yield rose by 2bps. It is trading at 7.02% today.

Fig 3 – Bond 10Y yield

	07-06-2024	10-06-2024	Change, bps
US	4.43	4.47	3
UK	4.26	4.32	6
Germany	2.62	2.67	5
Japan	0.98	1.04	7
China	2.31	2.31	0
India	7.02	7.03	2

Source: Bloomberg, Bank of Baroda Research | Note: Markets in China were closed on 10 June 2024

Fig 4 – Short term rates

	07-06-2024	10-06-2024	change in bps
Tbill-91 days	6.84	6.84	0
Tbill-182 days	6.99	6.99	0
Tbill-364 days	7.01	7.02	1
G-Sec 2Y	7.00	7.00	0
India OIS-2M	6.69	6.71	2
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	07-06-2024	10-06-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.1	0.2	0.1
Reverse Repo	0	0	0
Repo	0.5	0.5	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	06-06-2024	07-06-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(698.4)	796.6	1,495.1
Debt	112.8	154.7	41.9
Equity	(811.2)	642.0	1,453.2
Mutual funds (Rs cr)	3,260.4	2,374.7	(885.7)
Debt	340.9	(2,226.9)	(2,567.8)
Equity	2,919.5	4,601.6	1,682.1

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 5 June and 6 June 2024

- Oil prices gained momentum ahead of OPEC market report.

Fig 7 – Commodities

	07-06-2024	10-06-2024	% change
Brent crude (US\$/bbl)	79.6	81.6	2.5
Gold (US\$/ Troy Ounce)	2,293.8	2,310.9	0.7
Copper (US\$/ MT)	9,638.4	9,765.9	1.3
Zinc (US\$/MT)	2,704.1	2,788.6	3.1
Aluminium (US\$/MT)	2,578.0	2,572.0	(0.2)

Source: Bloomberg, Bank of Baroda Research



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