

## MORNING MOCHA

12 July 2024

ECONOMIST  
Aditi Gupta

US CPI report cemented the case for a Fed rate cut in Sep'24. On a MoM basis, CPI inflation in the US declined by 0.1% (est. +0.1%), marking its first drop since May'20. Core CPI also eased to 0.1% from 0.2% in May'24. The drop in inflation was welcomed by a voting member of the FOMC who termed it "excellent". Jobless claims declined more than expected due to seasonal factors. In Germany, CPI inflation in Jun'24 was confirmed at 2.2%, moderating from 2.4%. UK's GDP posted a solid 0.4% growth in May'24 (0% in Apr'24), providing a significant boost to the new government. Separately, China's exports increased by 8.6% in Jun'24 (est. 8%). However, domestic demand remained subdued as reflected in the unexpected decline in imports (-2.3% vs. est. +2.8%). In India, CPI inflation is likely to inch up to 4.9% in Jun'24 from 4.75%, as food prices remain elevated. IIP growth is expected to improve to 6% from 5% in Apr'24 (BoB estimate).

- Except S&P 500 and Indian stocks, global indices ended higher. Investor sentiments were bolstered by encouraging CPI print in the US which strengthened case for rate cut. Hang Seng has risen the most followed by Shanghai Comp. Moderation of S&P 500 was led by technology stocks. Sensex closed flat. It is trading higher today, while Asian stocks are trading mixed.

**Fig 1 – Stock markets**

	10-07-2024	11-07-2024	Change, %
Dow Jones	39,721	39,754	0.1
S & P 500	5,634	5,585	(0.9)
FTSE	8,194	8,223	0.4
Nikkei	41,832	42,224	0.9
Hang Seng	17,472	17,832	2.1
Shanghai Comp	2,939	2,970	1.1
Sensex	79,925	79,897	0
Nifty	24,324	24,316	0

Source: Bloomberg, Bank of Baroda Research

- Except INR, other global currencies ended higher. DXY slid by 0.6% after the US CPI report. JPY appreciated sharply with reports suggesting a possible intervention by the BoJ. INR depreciated amid increased dollar demand from importers. However, it is trading stronger today, in line with other Asian peers.

**Fig 2 – Currencies**

	10-07-2024	11-07-2024	Change, %
EUR/USD (1 EUR / USD)	1.0830	1.0868	0.4
GBP/USD (1 GBP / USD)	1.2849	1.2915	0.5
USD/JPY (JPY / 1 USD)	161.69	158.84	1.8
USD/INR (INR / 1 USD)	83.53	83.57	0
USD/CNY (CNY / 1 USD)	7.2760	7.2579	0.2

Source: Bloomberg, Bank of Baroda



- Barring Japan and India, global yields closed lower. US 10Y yield fell by 7bps supported by encouraging CPI data. Chicago Fed President also spoke of the same. CPI along expected lines in Germany also put a downward pressure on its yield. Japan's 10Y yield edged up over speculation of intervention in the currency market. India's 10Y yield rose a tad and is trading flat today.

**Fig 3 – Bond 10Y yield**

	10-07-2024	11-07-2024	Change, bps
US	4.28	4.21	(7)
UK	4.13	4.07	(5)
Germany	2.53	2.46	(7)
Japan	1.09	1.09	1
China	2.27	2.26	(1)
India	6.98	6.98	1

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	10-07-2024	11-07-2024	change in bps
Tbill-91 days	6.74	6.73	(1)
Tbill-182 days	6.87	6.85	(2)
Tbill-364 days	6.91	6.90	(1)
G-Sec 2Y	6.92	6.93	1
India OIS-2M	6.67	6.67	0
India OIS-9M	6.73	6.73	0
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	10-07-2024	11-07-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.1)	(1.3)	(0.2)
Reverse Repo	0.4	0.5	0.1
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	09-07-2024	10-07-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	251.2	339.3	88.2
Debt	68.1	77.7	9.6
Equity	183.1	261.6	78.5
Mutual funds (Rs cr)	1,331.8	1,273.3	(58.6)
Debt	689.5	293.0	(396.6)
Equity	642.3	980.3	338.0

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 8 Jul and 9 Jul 2024

- Oil prices edged up amidst falling US inventories.

**Fig 7 – Commodities**

	10-07-2024	11-07-2024	% change
Brent crude (US\$/bbl)	85.1	85.4	0.4
Gold (US\$/ Troy Ounce)	2,371.3	2,415.5	1.9
Copper (US\$/ MT)	9,743.6	9,628.0	(1.2)
Zinc (US\$/MT)	2,904.4	2,899.5	(0.2)
Aluminium (US\$/MT)	2,483.5	2,476.5	(0.3)

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

**Chief Economist**

Bank of Baroda

[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)