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Macro data from the US shows that inflation is cooling down and consumer spending has also weakened. PCE inflation moderated to 2.6% in May'24 from 2.7% in Apr'24. Core PCE too eased to 2.6% from 2.8% in Apr'24. On MoM basis, inflation index was flat (0%) compared with 0.3% increase in Apr'24. Further, University of Michigan final consumer sentiment survey showed that the headline index fell to 68.2 in Jun'24 from 69.1 in May'24, dragged by current situation index. Consumers now expect inflation at 3% versus 3.3% expected in May'24 survey. This has raised the possibility of a rate cut in Sep'24. However, increased political uncertainty (US and France) also impacted investor sentiments. Separately in China, manufacturing activity remains weak with official PMI index unchanged in Jun'24 at 49.5. Non-manufacturing PMI also eased to 50.5 from 51.1 in May'24.

- Global indices ended mixed. US stocks closed lower as investors monitored PCE data with investors expecting rate cut as soon as Sep'24. Shanghai Comp and Nikkei were the biggest gainers. Sensex closed in red, breaking away from its 4-day winning streak. Banking and IT stocks dropped the most. It is trading higher today, while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	27-06-2024	28-06-2024	Change, %
Dow Jones	39,164	39,119	(0.1)
S & P 500	5,483	5,460	(0.4)
FTSE	8,180	8,164	(0.2)
Nikkei	39,342	39,583	0.6
Hang Seng	17,716	17,719	0
Shanghai Comp	2,946	2,967	0.7
Sensex	79,243	79,033	(0.3)
Nifty	24,045	24,011	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. DXY remained steady surrounded by rate cut optimism amidst slower inflation data. JPY weakened with a possible intervention likely by authorities. INR appreciated by 0.1% amidst higher FPI inflows. It is trading weaker today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	27-06-2024	28-06-2024	Change, %
EUR/USD (1 EUR / USD)	1.0704	1.0713	0.1
GBP/USD (1 GBP / USD)	1.2639	1.2645	0
USD/JPY (JPY / 1 USD)	160.76	160.88	(0.1)
USD/INR (INR / 1 USD)	83.46	83.39	0.1
USD/CNY (CNY / 1 USD)	7.2688	7.2673	0

Source: Bloomberg, Bank of Baroda



- Barring Japan (lower), other global yields closed higher. US 10Y yield rose by 11bps, amidst growing uncertainty around US presidential elections. This was despite a lower inflation reading. Germany and UK's 10Y yield closed higher by 5 and 4bps respectively. India's 10Y yield was broadly stable amidst the much anticipated bond inclusion. It is trading at the same level today.

Fig 3 – Bond 10Y yield

	27-06-2024	28-06-2024	Change, bps
US	4.29	4.40	11
UK	4.13	4.17	4
Germany	2.45	2.50	5
Japan	1.08	1.06	(2)
China	2.21	2.21	0
India	7.00	7.01	1

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	27-06-2024	28-06-2024	change in bps
Tbill-91 days	6.82	6.79	(3)
Tbill-182 days	6.90	6.89	(1)
Tbill-364 days	6.94	6.93	(1)
G-Sec 2Y	6.98	6.96	(2)
India OIS-2M	6.69	6.69	0
India OIS-9M	6.78	6.79	2
SONIA int rate benchmark	5.20	5.20	0
US SOFR	5.33	5.34	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	27-06-2024	28-06-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.9	(0.2)	(1.1)
Reverse Repo	0	0	0
Repo	1.0	0	(1.0)

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	26-06-2024	27-06-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	272.8	1,042.5	769.7
Debt	91.6	113.3	21.7
Equity	181.1	929.2	748.1
Mutual funds (Rs cr)	(5,632.5)	3,962.7	9,595.1
Debt	(5,098.9)	(995.2)	4,103.7
Equity	(533.5)	4,957.9	5,491.4

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 25 June and 26 June 2024

- Oil prices remained flat, as investors track escalated geo-political tensions.

Fig 7 – Commodities

	27-06-2024	28-06-2024	% change
Brent crude (US\$/bbl)	86.4	86.4	0
Gold (US\$/ Troy Ounce)	2,327.7	2,326.8	0
Copper (US\$/ MT)	9,372.1	9,456.0	0.9
Zinc (US\$/MT)	2,872.2	2,878.5	0.2
Aluminium (US\$/MT)	2,492.5	2,524.5	1.3

Source: Bloomberg, Bank of Baroda Research



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