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Fed officials remained jittery about the trajectory of inflation. Fed Vice Chair signalled policy rate is likely to be restrictive for some time unless policymakers are convinced that current inflation slowdown is not transitory. Atlanta Fed President also hinted at more time before price stability will be achieved. Reserve Bank of Australia's latest minutes signalled higher for longer rates on the back of upside risks to inflation. Even some statements in the minutes could not rule out the possibility of rate hike. Elsewhere, global commodity prices are on an uptrend. Gold and copper prices are trading at near high levels. This got reflected in the Bloomberg Commodity Spot index which rose to its highest since Jan'23. Thus, yields globally firmed up. On domestic front, all eyes are on the progress of General Elections.

- Except Dow Jones, other global stocks ended in green. Investors' focus remained on minutes of Fed meeting and earnings reports. Stocks in Asia rose sharply, with Nikkei surging by 0.7%. Sensex rose marginally by 0.1% in the special trading session with capital goods stocks leading the gain. However, it is trading lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	17-05-2024	20-05-2024	Change, %
Dow Jones	40,004	39,807	(0.5)
S & P 500	5,303	5,308	0.1
FTSE	8,420	8,424	0
Nikkei	38,787	39,070	0.7
Hang Seng	19,554	19,636	0.4
Shanghai Comp	3,154	3,171	0.5
Sensex	73,917	74,006	0.1
Nifty	22,466	22,502	0.2

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 20 May 2024; Sensex and Nifty as of 18 May 2024

- Global currencies closed mixed. DXY edged up by 0.1% as Fed officials reiterated the need for keeping policy sufficiently restrictive while monitoring the path of inflation. JPY remained under pressure and depreciated by 0.4% with investors looking for signs of possible intervention. INR is trading stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	17-05-2024	20-05-2024	Change, %
EUR/USD (1 EUR / USD)	1.0868	1.0857	(0.1)
GBP/USD (1 GBP / USD)	1.2697	1.2706	0.1
USD/JPY (JPY / 1 USD)	155.63	156.26	(0.4)
USD/INR (INR / 1 USD)	83.50	83.33	0.2
USD/CNY (CNY / 1 USD)	7.2243	7.2354	(0.2)

Source: Bloomberg, Bank of Baroda | Note: Markets in India were closed on 20 May 2024



- Barring China (lower), global yields closed higher. Yields showed upside pressure tracking comments of major Fed officials which showed discomfort with regard to inflation. UK's 10Y yield firmed up by 4bps despite BoE Deputy Governor hinting at rate cut 'some time over the summer'. China's 10Y yield showed moderation over concerns surrounding its property sector. India's 10Y yield inched up, taking global cues. It is trading at the same level today.

Fig 3 – Bond 10Y yield

	17-05-2024	20-05-2024	Change, bps
US	4.42	4.44	2
UK	4.13	4.17	4
Germany	2.52	2.53	1
Japan	0.95	0.98	3
China	2.32	2.31	(1)
India	7.08	7.09	2

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 20 May 2024

Fig 4 – Short term rates

	16-05-2024	17-05-2024	change in bps
Tbill-91 days	6.97	6.95	(2)
Tbill-182 days	7.05	7.05	0
Tbill-364 days	7.05	7.05	0
G-Sec 2Y	7.04	7.05	1
India OIS-2M	6.72	6.73	1
India OIS-9M	6.77	6.78	1
SONIA int rate benchmark	5.20	5.20	0
US SOFR	5.31	5.31	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 20 May 2024

Fig 5 – Liquidity

Rs tn	16-05-2024	17-05-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.9	1.1	0.2
Reverse Repo	0	0	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research | Note: Markets in India were closed on 20 May 2024

Fig 6 – Capital market flows

	15-05-2024	16-05-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(123.5)	35.2	158.7
Debt	156.6	109.7	(46.9)
Equity	(280.1)	(74.5)	205.6
Mutual funds (Rs cr)	530.0	(387.7)	(917.8)
Debt	(2,293.6)	(466.2)	1,827.5
Equity	2,823.7	78.5	(2,745.2)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 20 May 2024

- Oil prices fell as expectations of higher US rates dented demand prospects.

Fig 7 – Commodities

	17-05-2024	20-05-2024	% change
Brent crude (US\$/bbl)	84.0	83.7	(0.3)
Gold (US\$/ Troy Ounce)	2,415.2	2,425.3	0.4
Copper (US\$/ MT)	10,597.9	10,800.8	1.9
Zinc (US\$/MT)	2,993.4	3,065.9	2.4
Aluminium (US\$/MT)	2,612.0	2,630.0	0.7

Source: Bloomberg, Bank of Baroda Research



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