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Aditi Gupta

Global markets treaded water as investors await further cues on US monetary policy. Fed Chair's testimony to the Congress later today, and US CPI report on Thursday will shape the trajectory of future rate cuts. Traders have increased bets of 2-rate cuts by the Fed this year after the US payroll report, with the first rate cut expected in Sep'24. In the Eurozone, results of the parliamentary have pushed the nation into a political limbo which is likely to persist for some time. In Germany, exports declined by 3.6% in May'24, against expectations of a decline of 1.9%. In India, the South-West monsoon has gained momentum, with cumulative rainfall 1.8% above normal till 8 Jul 2024. This has resulted in an improvement in Kharif sowing which is 14% higher compared with last year (upto 5 Jul 2024), led by higher sowing of pulses, oilseeds and paddy. This bodes well for the inflation outlook.

- Global indices broadly ended lower. Investors remained cautious ahead of Fed Chair's testimony. In Europe, all eyes are on snap election and its aftermath. Investors are also eyeing any movement before China's annual policy meeting. Stocks in Hang Seng fell the most, followed by Shanghai Comp. Sensex closed flat. It is trading higher today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	05-07-2024	08-07-2024	Change, %
Dow Jones	39,376	39,345	(0.1)
S & P 500	5,567	5,573	0.1
FTSE	8,204	8,193	(0.1)
Nikkei	40,912	40,781	(0.3)
Hang Seng	17,800	17,524	(1.5)
Shanghai Comp	2,950	2,922	(0.9)
Sensex	79,997	79,960	0
Nifty	24,324	24,321	0

Source: Bloomberg, Bank of Baroda Research

- Global currencies traded in thin ranges ahead of US CPI report and Fed Chair's testimony. DXY rose by 0.1%. EUR depreciated amid political uncertainty in France. INR closed marginally weaker despite a decline in oil prices. It is trading at the same levels today, while Asian currencies are mostly trading weaker.

Fig 2 – Currencies

	05-07-2024	08-07-2024	Change, %
EUR/USD (1 EUR / USD)	1.0840	1.0824	(0.1)
GBP/USD (1 GBP / USD)	1.2815	1.2807	(0.1)
USD/JPY (JPY / 1 USD)	160.75	160.83	0
USD/INR (INR / 1 USD)	83.49	83.50	0
USD/CNY (CNY / 1 USD)	7.2683	7.2681	0

Source: Bloomberg, Bank of Baroda



- US 10Y yield closed flat as market await cues from Fed Chair's testimony over timing of rate cut. Germany's 10Y yield fell by 2bps amidst risk off sentiments surrounding political developments in Europe. In Japan and China, 10Y yield firmed up by 2bps each, awaiting signals from respective policymakers. India's 10Y yield closed stable. It is trading at the same level today

Fig 3 – Bond 10Y yield

	05-07-2024	08-07-2024	Change, bps
US	4.28	4.28	0
UK	4.13	4.11	(1)
Germany	2.56	2.54	(2)
Japan	1.08	1.10	2
China	2.27	2.29	2
India	6.99	6.99	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	05-07-2024	08-07-2024	change in bps
Tbill-91 days	6.71	6.76	5
Tbill-182 days	6.89	6.86	(3)
Tbill-364 days	6.92	6.91	(1)
G-Sec 2Y	6.95	6.93	(2)
India OIS-2M	6.68	6.68	0
India OIS-9M	6.76	6.75	(1)
SONIA int rate benchmark	5.20	5.20	0
US SOFR	5.33	5.32	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	05-07-2024	08-07-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.3)	(0.8)	0.5
Reverse Repo	0	0	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	04-07-2024	05-07-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	891.5	439.1	(452.4)
Debt	231.4	59.5	(171.9)
Equity	660.1	379.6	(280.5)
Mutual funds (Rs cr)	3,815.4	(1,143.4)	(4,958.8)
Debt	4,526.4	157.0	(4,369.4)
Equity	(711.0)	(1,300.4)	(589.4)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 3 Jul and 4 Jul 2024

- Oil prices fell amid talks of US ceasefire plan to pacify tensions in Middle-East.

Fig 7 – Commodities

	05-07-2024	08-07-2024	% change
Brent crude (US\$/bbl)	86.5	85.8	(0.9)
Gold (US\$/ Troy Ounce)	2,392.2	2,359.1	(1.4)
Copper (US\$/ MT)	9,795.2	9,760.0	(0.4)
Zinc (US\$/MT)	2,943.9	2,893.5	(1.7)
Aluminium (US\$/MT)	2,535.5	2,531.5	(0.2)

Source: Bloomberg, Bank of Baroda Research



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Chief Economist

Bank of Baroda

chief.economist@bankofbaroda.com