



marketbuzz



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Global equity markets closed on a mixed note during the month under review amid uncertainty as to what stance the U.S. Federal Reserve adopts regarding its monetary policy review in the coming months. U.S. equity markets rose following upbeat macroeconomic data which led to optimism among market participants regarding the strength of the U.S. economy. However, worries that the U.S. Federal Reserve may keep interest rates at higher levels for an extended period weighed on the market sentiment. Meanwhile, concerns of political uncertainty in Europe kept European equity markets under pressure. A slew of downbeat economic data from euro zone also added to the losses. However, further losses were restricted after the Swiss National Bank cut interest rates by 25 bps. The Bank of England too kept its main policy rate unchanged for the seventh consecutive meeting which also had a positive impact on the markets. Asian equity markets mostly rose after official data showed that Japan's exports grew at the fastest pace since 2022 in May 2024. Additionally, the market saw an increase due to positive expectations that the slowing U.S. economy would help control inflation and prompt the U.S. Federal Reserve to lower its primary interest rate later in the year. However, gains were restricted as the benchmark lending rates were left unchanged at a monthly fixing by the People's Bank of China and the central bank governor warned of weaker credit growth. The market sentiment was further hit after data from the National Bureau of Statistics showed that China's industrial profits data disappointed in the first five months of 2024.

On the commodity front, gold prices fell on growing possibility that the U.S. Federal Reserve will keep interest rates at higher levels for an extended period to combat inflation. Global crude oil prices went up amid expectations of increased demand for oil and tighter supplies.

Back home, domestic equity markets initially witnessed volatility as the outcome of the general elections did not come in line with market expectations. However, markets rebounded sharply on hopes of political stability and policy continuity. Gains were extended after India's GDP growth came better than expectations and stood at 7.8% in the fourth quarter of FY24. Market sentiments were further boosted after the Reserve Bank of India upgraded the GDP growth rate of domestic economy to 7.2% from 7.0% for FY25 even though it kept the key policy repo rate unchanged.

In the domestic debt market, bond yields rose after the outcome of the general elections did not come in line with market expectations. However, further losses were restricted following decline in U.S. Treasury yields over the month. Meanwhile, domestic government bonds under the Fully Accessible Route were included in the JPMorgan emerging market debt index on Jun 28, 2024.

[Outlook](#)

Domestic equity markets moving ahead will be dictated by upcoming new Budget that will be presented by the newly elected government at the Centre. Market participants are optimistic that the new budget will be futuristic and facilitate fast-tracked reforms. Incoming domestic macroeconomic data especially retail inflation data will also be in sharp focus. On the global front, monetary policy action by key central banks across the globe and global crude oil prices will be closely tracked. In addition to the above-mentioned factors, movement of the rupee against the greenback and transaction trends by foreign institutional investors is also expected to dictate the trend of the domestic equity market in the coming months.

The fundamentals remain supportive for domestic bond markets and the bigger trigger for bond yields is expected to come from improving government bond supply demand dynamics post the inclusion of government bonds into JPMorgan emerging market debt index. Liquidity conditions may improve from current levels due to factors like maturities of government securities and increased spending by the government, that may eventually ease bond yields.

We are pleased to bring to you the latest version of the Monthly Market Buzz for June. Happy Reading!!!

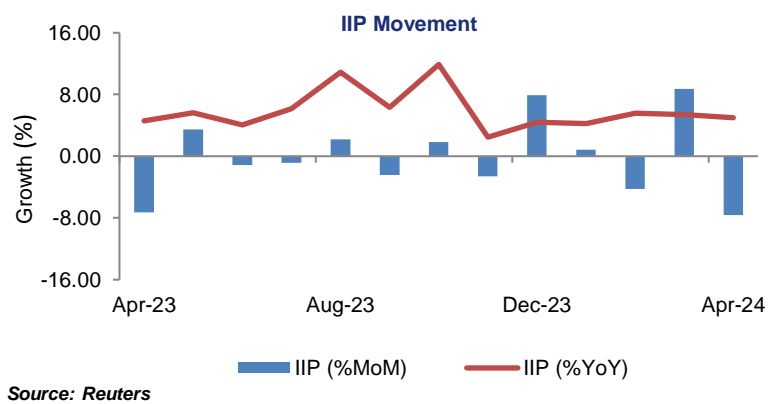
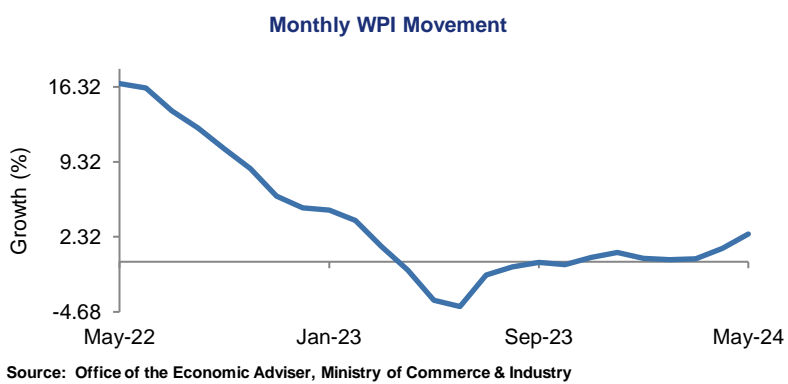
Deepak Gaddhyan
Head – Retail Liabilities & Wealth Management



INDIAN ECONOMY

Economic Releases in June-2024			
Key Indicator	Period	Actual	Previous
Repo Rate	Jun-24	6.50%	6.50%
Reverse Repo	Jun-24	3.35%	3.35%
CRR	Jun-24	4.50%	4.50%
Index of Industrial Production (IIP)	Apr-24	5.00%	5.40%
Wholesale Price Index Inflation(WPI)	May-24	2.61%	1.26%
Export (Y-o-Y)	May-24	8.91%	0.84%
Import (Y-o-Y)	May-24	8.56%	7.86%

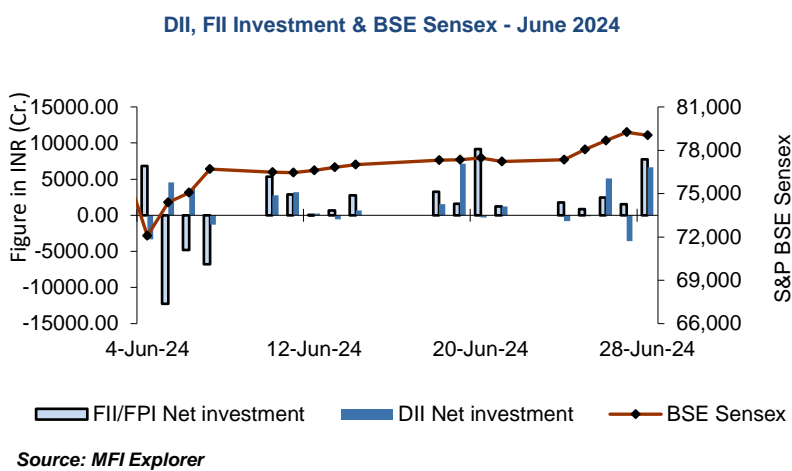
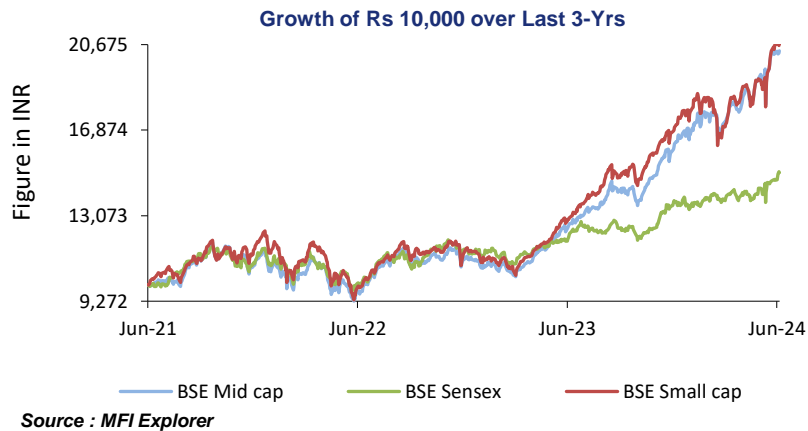
Source: RBI, Refinitiv



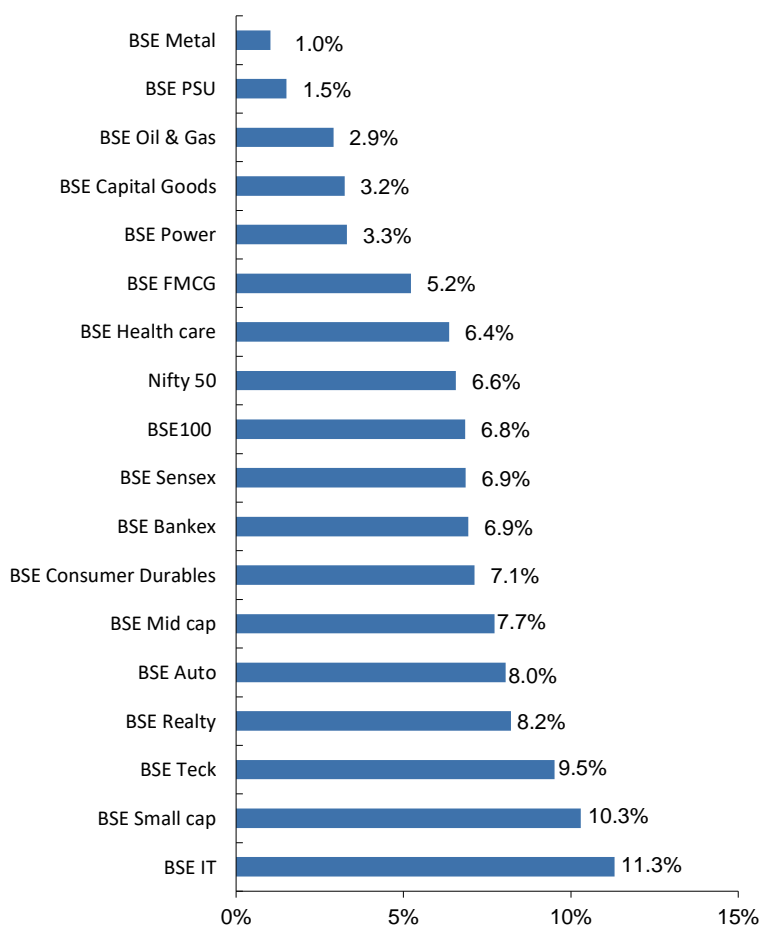
- The consumer price index-based inflation eased to 12-month low of 4.75% YoY in May 2024 compared to 4.83% in Apr 2024. The number remained within the RBI's upper tolerance level for the ninth consecutive month. Consumer food price inflation eased slightly to 8.69% YoY in May 2024 from 8.70% in Apr 2024.
- Industrial production growth in India (IIP) declined to 5.0% YoY in Apr 2024, as compared to 5.4% rise in Mar 2024. Production in the manufacturing industry increased by 3.9%, mining by 6.7% and electricity by 10.2% in Apr 2024.
- India's wholesale price index (WPI) based inflation surged to 15-month high of 2.61% YoY in May 2024 as compared to 1.26% in Apr 2024. Positive rate of inflation in May 2024 was primarily due to increase in prices of food articles, manufacture of food products, crude petroleum & natural gas, mineral oils, other manufacturing.
- India's current account balance recorded a surplus of US\$ 5.7 billion (0.6% of GDP) in Q4 FY24 as against a deficit of US\$ 8.7 billion (1.0% of GDP) in Q3 FY24 and US\$ 1.3 billion (0.2% of GDP) in Q4 FY23. Current account deficit improved significantly to US\$ 23.2 billion (0.7% of GDP) during FY24 from US\$ 67.0 billion (2.0% of GDP) in FY23 on the back of a lower merchandise trade deficit.
- India's merchandise trade deficit widened to \$23.78 billion in May 2024 from \$22.53 billion in May 2023. Exports surged 9.10% to \$38.13 billion in May 2024 from \$34.95 billion of the same month of previous year.

- SEBI has suggested to introduce credit default swaps (CDS) in mutual funds. The market regulator has proposed that debt funds should be allowed to buy and sell CDS against their holdings in corporate bonds. SEBI regulations state that the scheme must pay a premium in order to purchase this kind of insurance. Additionally, fund houses are permitted to purchase or sell CDS up to 10% of the total amount of AUM.
- The Insolvency and Bankruptcy Board of India (IBBI) has proposed that the resolution plan submitted by an investor won't extinguish the creditors' right to proceed against loan guarantors to the stressed firm and enforce realisation of guarantees governed through various agreements. The proposal is aimed to make it difficult for personal guarantors of defaulting firms to escape liabilities.
- The RBI in collaboration with the Indian government have released an updated framework on currency swap agreements with South Asian Association for Regional Cooperation countries for the years 2024 to 2027 in order to address short-term foreign exchange liquidity needs or balance of payments crises.
- SEBI has instructed market intermediaries, such as mutual fund companies, their distributors, and registered investment advisors not to engage with 'influencers' directly or indirectly. According to the market regulator, market intermediaries are not permitted to directly or indirectly compensate these people with money or non-monetary benefits.

Indian Equity Market



Monthly returns as on June 30 2024



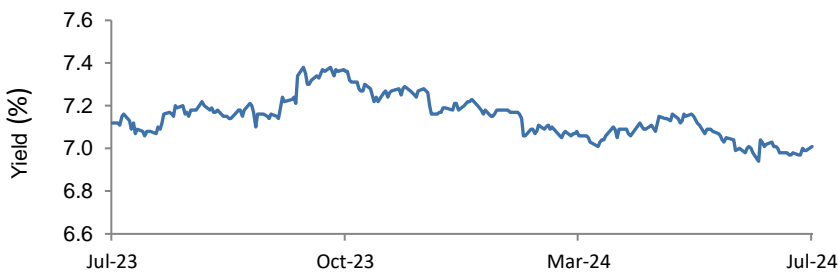
- Domestic equity markets rose initially as market participants remained optimistic ahead of the outcome of general elections. There was also some cheer on the economic front as government data revealed that India's GDP growth surpassed expectations and stood at 7.8% in the fourth quarter of FY24.
- Meanwhile, domestic equity markets witnessed a massive selloff across-the-board after the outcome of the general elections did not come exactly in line with market expectations. However, domestic equities rebounded sharply as investors shifted their focus to fundamentals and developments around government formation. Expectations of political stability and policy continuity provided support to markets. Gains were extended after the RBI upwardly revised the GDP growth rate of domestic economy to 7.2% from 7.0% for FY25 even though it kept the key policy repo rate unchanged. Sentiments were also boosted following domestic and U.S. retail inflation data, as both eased on an annual basis in May 2024 and stood at 4.75% and 3.30%, respectively.
- In the meantime, domestic equity markets reached a fresh high supported by a favourable view of the overall domestic economy, along with the hope for a prosperous rainy season. Gains were further extended after the Swiss National Bank delivered an interest rate cut, reducing its policy rate by 25 bps to 1.25%. Investors' sentiment was underpinned after the data from the RBI showed that India's current account balance recorded a surplus of \$5.7 billion or 0.6% of GDP in Q4 FY24, driven by a lower merchandise trade deficit.
- However, the U.S. Federal Reserve's decision to keep the interest rate at its current level and a warning that inflation is still too high to begin lowering policy rates have limited gains. Furthermore, gains were capped due to profit booking ahead the release of the U.S. personal consumption expenditure inflation data of May 2024, which will provide more clarity on interest rate trajectory by the U.S. Federal Reserve. Rising global crude oil prices also restricted the gains. Investors' focus remained on the upcoming Union budget along with progress of the monsoon for further cues.
- On the BSE sectoral front, BSE IT surged 11.30% following the European Central Bank's decision to cut the interest rate by 25 bps, as European Union markets are pretty big for some domestic information technology firms. Strong deal wins in Q4 FY24 by the IT companies also contributed to the gains. Gains were further extended after a major U.S. based information technology firm provided a positive annual revenue growth forecast, indicating demand in the crucial U.S. marketplace.

Indian Fixed Income

Indicators (Yield %)	June 28, 2024	May 31, 2024
Call Rate	6.85%	6.69%
FBIL 1 Mn Term Mibor	7.11%	7.08%
10-Yr benchmark bond	7.01%	6.98%
Reverse Repo	3.35%	3.35%
Repo	6.50%	6.50%
Bank Rate	6.75%	6.75%
CRR	4.50%	4.50%

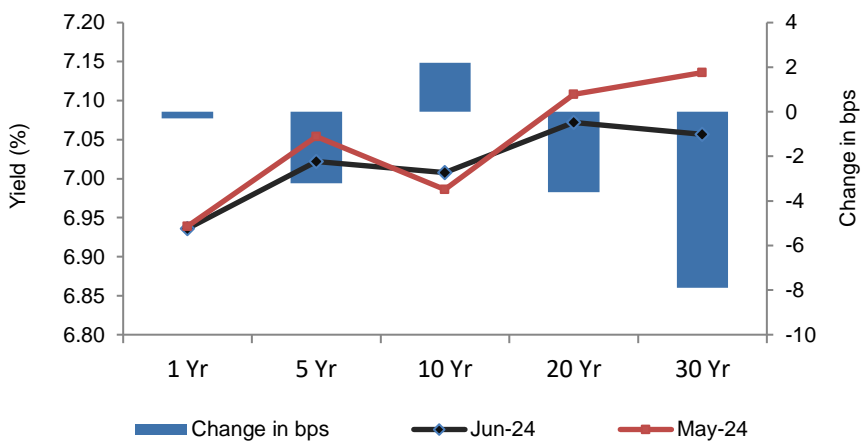
Source: Refinitiv

10-Yr Benchmark Bond



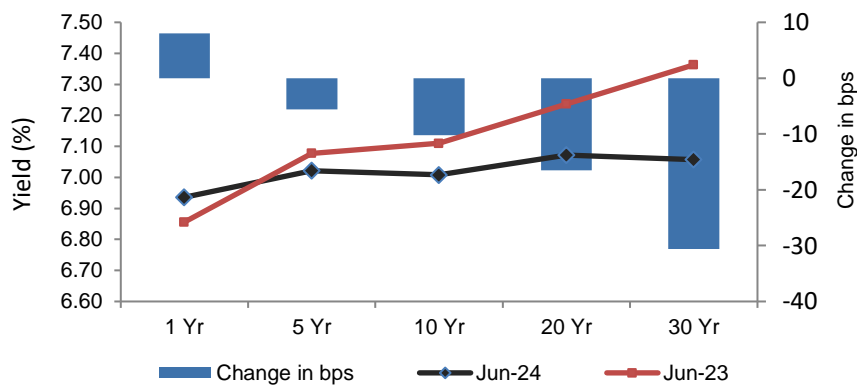
Source: CCIL

India Yield Curve Shift (Month-on-Month)



Source: Refinitiv

India Yield Curve Shift (Year-on-Year)



Source: Refinitiv

- Bond yields fell at the beginning of the month after exit polls signalled that the incumbent party alliance at the Centre would secure a third term with a wider majority. However, the trend reversed, as yields rose sharply after vote-counting trends showed that the existing party alliance at the Centre would win a narrower majority than was expected. Meanwhile, losses were restricted following the fall in U.S. Treasury yields after a softer-than-expected U.S. inflation print in May 2024 boosted expectations of rate cuts, despite the U.S. Federal Reserve projecting only one cut this year. Ultimately, yields rose after most of the domestic government bonds under the Fully Accessible Route were included in the JPMorgan emerging market debt index on Jun 28, 2024.

- Yield on the 10-year benchmark paper (7.10% GS 2034) rose by 3 bps to close at 7.01%, compared with the previous month's close of 6.98%.

- Bond yields decreased, with the benchmark yield ending at its lowest level in two years, after exit polls signalled that the ruling party at the Centre will secure a third term with a wider majority.

- However, the trend reversed, as yields rose sharply after vote-counting trends showed that the existing party alliance at the Centre would win a narrower majority than was expected.

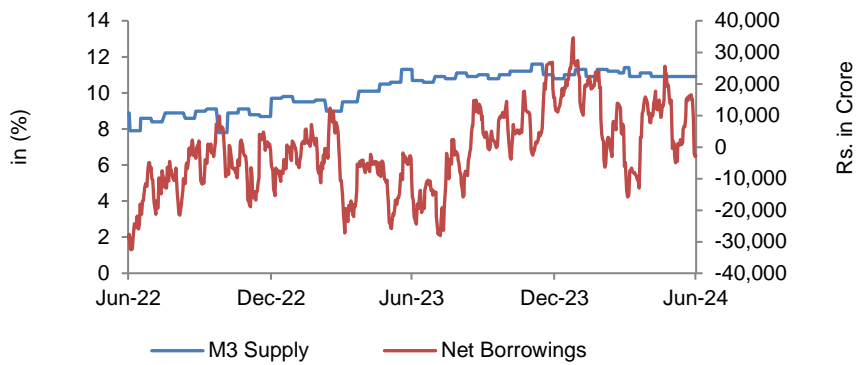
- Meanwhile, yields rose marginally after the RBI kept its policy rate and stance unchanged as expected.

- However, losses were restricted following the fall in U.S. Treasury yields after a softer-than-expected U.S. inflation print in May 2024 boosted expectations of rate cuts, despite the U.S. Federal Reserve projecting only one cut this year.

- Furthermore, the expectation that the government would probably stick to its fiscal deficit target in the next union budget offset the losses.

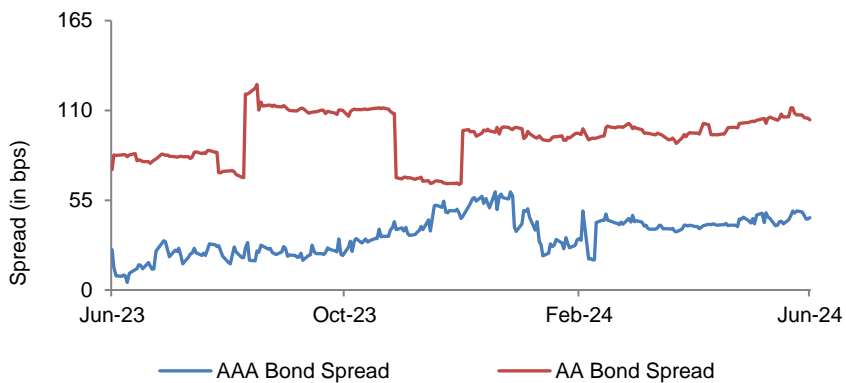
- Ultimately, yields rose after most of the domestic government bonds under the Fully Accessible Route were included in the JPMorgan emerging market debt index on Jun 28, 2024.

Liquidity Monitor- M3 Supply and Net Borrowings



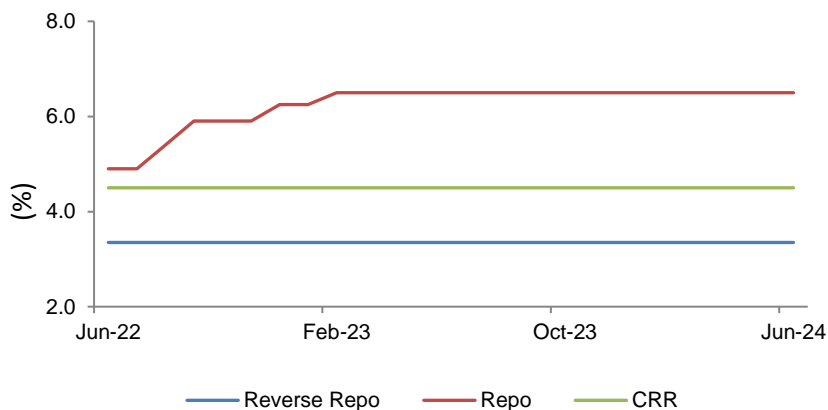
Source: Refinitiv

10 Year Corporate Bond Spread (for AAA & AA bonds)



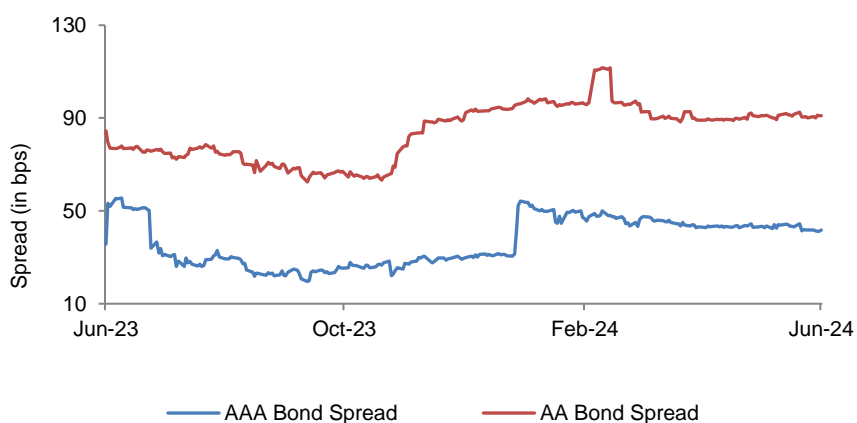
Source: Refinitiv

Movements of Key Policy Rates in India



Source: RBI

5 Year Corporate Bond Spread (for AAA & AA bonds)



Source: Refinitiv

- The central bank of India conducted auctions of 91-, 182- and 364-days Treasury Bills for a notified amount of Rs. 48,000 crore in Jun 2024, compared to Rs. 1,05,000 crore in the previous month. The average cut-off yield of 91-, 182- and 364-days Treasury Bills stood at 6.83%, 6.97% and 7.00%, respectively, during the month under review compared with the average yield of 6.94%, 7.05% and 7.06%, respectively in the previous month.
- The RBI also conducted auction of state development loans (SDL) for a total notified amount of Rs. 53,821 crore (accepted amount was Rs. 51,821 crore), which is much lower than the scheduled amount of Rs. 69,250 crore during Jun 2024. The average cut-off yield of 10-year SDL fell to 6.74% during Jun 2024 from 7.41% in the previous month.
- In addition, the RBI also conducted auction of government securities for a notified amount of Rs. 1,17,000 crore in Jun 2024, for which full amount was accepted with no devolvement on primary dealers.
- Yield on 5-year gilt paper fell by 3 bps & 10-year gilt paper rose by 2 bps. Yield on 5-year corporate bond fell by 5 bps & 10-year paper was unchanged. Difference in spread between corporate bond and gilt securities contracted by 2 bps each on 5-year and 10-year papers.

GLOBAL EQUITY MARKET

Performance of Major International Markets (as on June 28, 2024)		
Indices	Country	1 Mth (%)
United States		
Nasdaq 100	U.S.	6.18
Nasdaq Composite	U.S.	5.96
Asia Pacific		
SET Composite Index	Thailand	-3.32
Jakarta Composite	Indonesia	1.33
Straits Times Index	Singapore	-0.11
KOSPI Index	South Korea	6.12
Nikkei Stock Average 225	Japan	2.85
Taiwan SE Weighted Index	Taiwan	8.77
Shanghai Composite Index	China	-3.87
BSE Sensex	India	6.86
S&P/ASX 200	Australia	0.85
Europe		
FTSE 100	U.K.	-1.34
CAC 40	France	-6.42
DAX Index	Germany	-1.42

Source: MFI Explorer & Refinitiv

United States

- U.S. equity markets mostly rose as semiconductor equipment manufacturers are posting standout gains after a rating agency upgraded its rating on the stocks to Equal-Weight from Underweight. The market rose further after the Labor Department reported that U.S. consumer prices were unexpectedly flat in the month of May 2024 after rising by 0.3% in Apr 2024, which rose less than economists' expectations and that raised hope for an early interest rate cut by the U.S. Federal Reserve.

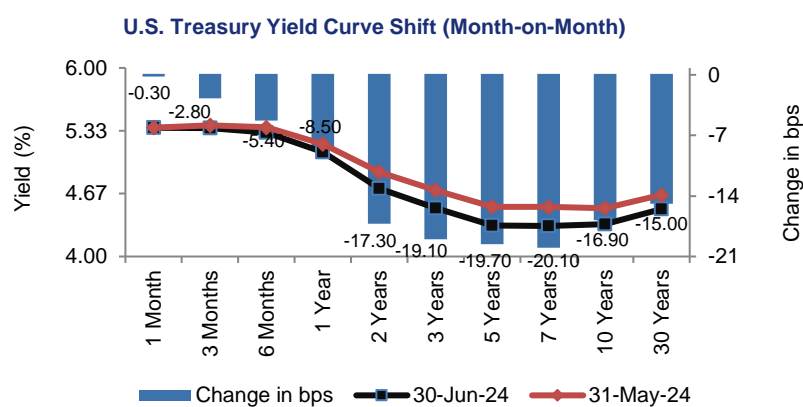
Europe

- European equity markets fell as the early expectation of the U.S. Federal Reserve to cut interest rates was slightly dashed after data showed that non-farm payroll employment in the U.S. in May 2024 would rise by much more than expected. Further, the market fell amid uncertainty about interest rates, and political tensions in Europe.

Asia

- Asian equity markets mostly rose after official data showed that Japan's exports grew at the fastest pace since 2022 in May 2024. Additionally, the market saw an increase due to positive expectations that the slowing U.S. economy would help control inflation and prompt the U.S. Federal Reserve to lower its primary interest rate later in the year.

GLOBAL FIXED INCOME - U.S. TREASURY



Source: Refinitiv



Source: Refinitiv

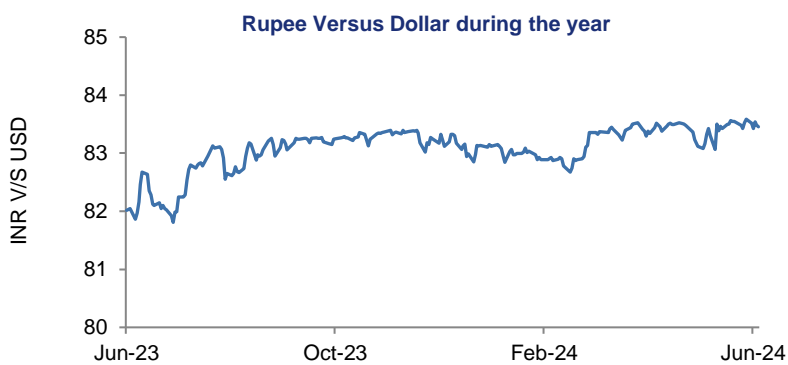
- Yields on the 10-year U.S. Treasury fell by 17 bps to close at 4.34% from the previous month's close of 4.51%.
- U.S. Treasury prices rose following data indicating that May 2024 saw a second consecutive month of slowing U.S. manufacturing activity raised hopes that the U.S. Federal Reserve could be able to lower interest rates later this year due to the deteriorating economy.
- Gains were increased further following the unexpectedly low inflation reading that stoked expectations of a rate drop by the U.S. Federal Reserve in the upcoming months.
- However, gains were restricted after the personal consumption expenditures (PCE) price index came in unchanged in May 2024 after rising 0.3% in Apr 2024. While the data initially generated optimism, broader market sentiment remained subdued on worries that the U.S. Federal Reserve might not lower interest rates in the near term.



CURRENCY

Movement of Major Currencies (as on June 28, 2024)				
Currency	Value (as on 28-Jun-2024)	1 Mth	3 Mth	1 Yr
U.S. Dollar	83.45	83.30	83.37	82.04
Pound Sterling	105.46	105.93	105.29	103.51
Euro	89.25	90.12	90.22	89.13
Yen (Per Rs.100)	52.00	53.00	55.00	57.00

Source: RBI



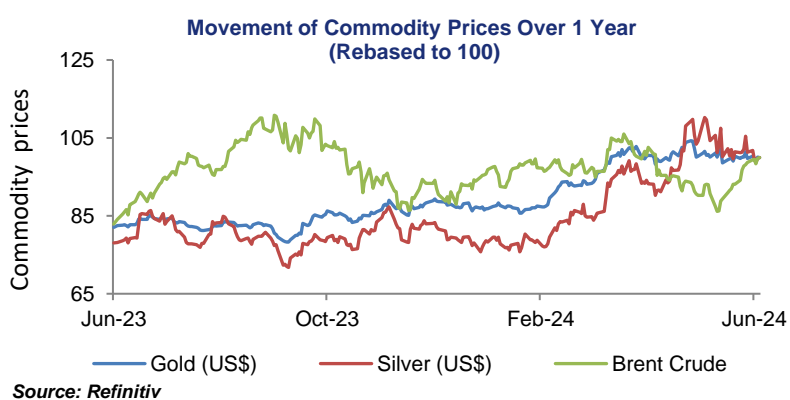
Source: RBI



COMMODITIES

Performance of Various Commodities					
Commodities	Last Closing (28-Jun-24)	Returns (in %)			
		1 Wk	1 Mth	6 Mth	1 Yr
Crude Brent (\$/Barrel)	88.75	1.36	10.18	10.54	18.87
Gold (\$/Oz)	2,325.71	0.23	-0.05	12.76	21.16
Gold (Rs/10 gm)	71,563.00	-1.21	-0.78	13.70	23.79
Silver (\$/Oz)	29.13	-1.33	-4.11	22.59	28.02
Silver (Rs/Kg)	87,840.00	-2.66	-4.86	20.30	28.64

Source: Refinitiv



Source: Refinitiv

INR

- Rupee rose against the U.S. dollar after the Reserve Bank of India kept the policy rate unchanged at 6.50%. Further, prices rose following rise in the domestic equity markets. Gains were increased on expectations of an increase in foreign investments in domestic debt. However, gains were restricted due to weakness in other Asian peers and strong greenback demand from local oil companies and other importers.

EURO

- Euro fell against the U.S. dollar after data revealed that the largest economy in the world generated much more employment in May 2024 than anticipated, indicating that the U.S. Federal Reserve may take some time to begin its easing cycle this year. Further, prices fell after data showed a strong U.S. economy as U.S. business activity hit a 26-month high in Jun 2024. However, losses were limited after soft U.S. consumer price inflation data that was reported by the Labor Department. Prices rose further on expectations that the U.S. Federal Reserve will start cutting interest rates this year after new orders for key U.S.-manufactured capital goods fell in May 2024.

Crude

- Brent crude oil prices rose amid expectations of increased demand for oil and tighter supplies. Further, prices rose as investors evaluated the prospects for global oil supply and demand. Gains were enhanced after data showed crude inventories in the U.S. fell more than expected in the week ended Jun 14th, 2024, and there is a positive outlook for higher fuel demand during the summer driving season. However, gains were restricted by concerns the U.S. Federal Reserve will likely hold interest rates higher for longer as data shows that a significantly greater than anticipated increase in U.S. non-farm payroll employment in May 2024.

Gold

- Gold prices fell slightly after strong non-farm payroll data reported for May 2024 that increased the value of the greenback relative to a number of other currencies and stoked fears that the U.S. Federal Reserve might keep interest rates higher for an extended period of time. However, losses were limited after U.S. economic data suggested price pressures were lessening, stoking hopes that the U.S. Federal Reserve would soon slash interest rates. Further, prices rose as investors rushed to pick up the safe-haven asset amid growing political unpredictability in Europe.

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All information mentioned in this document pertains to the month ended June 30, 2024.

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