

MORNING MOCHA

15 April 2024

ECONOMIST
Aditi Gupta

Geo-political tensions in the Middle East escalated amidst increased hostilities between Iran and Israel, which is likely to weigh on investors' sentiments. While oil prices jumped up amidst supply concerns, gold and dollar also inched up due to safe-haven demand. In US, University of Michigan's inflation expectation survey also noted an uptick for both 1Y and 5Y period. Separately, inflation in both Germany and France moderated, inching closer to ECB's target of 2%. In China, exports and import growth contracted in Mar'24 by 7.7% and 1.9% respectively. In India, CPI remained in line with our estimate at 4.9%, stickiness in food inflation remained while core was benign. FY24 headline CPI averaged at 5.4%, in line with RBI's estimate. IIP growth picked up to 5.7% in Feb'24 from 4.1% in Jan'24.

- Global stocks ended mixed. Markets remained cautious monitoring geopolitical tension. In US, 1-year ahead inflation expectations firmed up raising doubts about the timing of rate cut by Fed. Hang Seng fell the most, followed by US stocks. FTSE inched up supported by better macro print in UK. Sensex fell by 1.1% dragged down by consumer durables and oil and gas stocks. It is trading further lower today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	11-04-2024	12-04-2024	Change, %
Dow Jones	38,459	37,983	(1.2)
S & P 500	5,199	5,123	(1.5)
FTSE	7,924	7,996	0.9
Nikkei	39,443	39,524	0.2
Hang Seng	17,095	16,722	(2.2)
Shanghai Comp	3,034	3,019	(0.5)
Sensex	75,038	74,245	(1.1)
Nifty	22,754	22,519	(1.0)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended weaker against the dollar. DXY rose by 0.7% as expectations of Fed rate cut in Jun'24 diminished. EUR depreciated by 0.8% as ECB hinted at rate cuts. GBP too depreciated even as UK's GDP expanded in Feb'24. Higher oil prices weighed on INR. It is trading further weaker today, in line with other Asian currencies.

Fig 2 – Currencies

	11-04-2024	12-04-2024	Change, %
EUR/USD (1 EUR / USD)	1.0726	1.0643	(0.8)
GBP/USD (1 GBP / USD)	1.2553	1.2452	(0.8)
USD/JPY (JPY / 1 USD)	153.27	153.23	0
USD/INR (INR / 1 USD)	83.19	83.42	(0.3)
USD/CNY (CNY / 1 USD)	7.2370	7.2373	0

Source: Bloomberg, Bank of Baroda Research



- Except India, global yields broadly closed lower. Germany's 10Y yield fell at the sharpest pace following comments by ECB Governing Council member who hinted at a rate cut in Jun'24. Both US and UK's 10Y yield fell by 6bps each. India's 10Y yield rose by 7bps in the truncated week as some bit of delay in global and domestic rate cut is priced in. It is trading at 7.17% today.

Fig 3 – Bond 10Y yield

	11-04-2024	12-04-2024	Change, bps
US	4.59	4.52	(6)
UK	4.20	4.14	(6)
Germany	2.46	2.36	(10)
Japan	0.87	0.86	(2)
China	2.29	2.28	(1)
India	7.11	7.18	7

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	10-04-2024	12-04-2024	change in bps
Tbill-91 days	6.86	6.84	(2)
Tbill-182 days	7.01	7.00	(1)
Tbill-364 days	7.03	7.02	(1)
G-Sec 2Y	7.06	7.11	5
India OIS-2M	6.69	6.72	2
India OIS-9M	6.79	6.83	4
SONIA int rate benchmark	5.20	5.20	0
US SOFR	5.31	5.31	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	10-04-2024	12-04-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.8)	(0.8)	0
Reverse Repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	08-04-2024	10-04-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	1,090.2	553.6	(536.6)
Debt	66.8	165.4	98.6
Equity	1,023.4	388.2	(635.2)
Mutual funds (Rs cr)	7,667.2	2,385.7	(5,281.5)
Debt	5,171.9	24.5	(5,147.3)
Equity	2,495.3	2,361.2	(134.1)

Source: Bloomberg, Bank of Baroda Research

- Oil prices rose as tensions between Iran and Israel flared up.

Fig 7 – Commodities

	11-04-2024	12-04-2024	% change
Brent crude (US\$/bbl)	89.7	90.5	0.8
Gold (US\$/ Troy Ounce)	2,372.5	2,344.4	(1.2)
Copper (US\$/ MT)	9,209.9	9,333.2	1.3
Zinc (US\$/MT)	2,752.2	2,833.0	2.9
Aluminium (US\$/MT)	2,454.0	2,494.0	1.6

Source: Bloomberg, Bank of Baroda Research



Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at



For further details about this publication, please contact:

Chief Economist

Bank of Baroda

chief.economist@bankofbaroda.com