

## MORNING MOCHA

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ECONOMIST  
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Reports of an escalation in tensions between Israel and Iran have roiled global markets. Asian markets and currencies are trading in red, and oil prices have inched up. Demand for safe haven has pushed gold, dollar and yen higher. A wider conflict in the Middle East is likely to lead to increased volatility in the global markets while also pushing global commodity prices higher. This can jeopardize the fight against inflation. Possibility of Fed rate cuts has been pushed back further with New York Fed President also endorsing the narrative of higher for longer rates. Labour market conditions in the US remained tight with jobless claims unchanged at 212,000 (est. 215,000). However, existing housing sales declined by 4.3%. Separately, BoJ Governor hinted at the possibility of more rate hikes to mitigate the inflationary impact of a rapidly depreciating JPY. Incidentally, core CPI in Japan eased to 2.6% in Mar'24 from 2.8% in Feb'24.

- Global stocks closed broadly higher. Investors eyed major developments such as geopolitical tensions in the Middle East, hawkish comments from Fed officials and US jobless claims which hinted at a tight labour market. Hang Seng rose the most followed by FTSE. Sensex fell by 0.6%, led by consumer durables and banking stocks. It is trading further lower today, in line with other Asian stocks.

**Fig 1 – Stock markets**

	17-04-2024	18-04-2024	Change, %
Dow Jones	37,753	37,775	0.1
S & P 500	5,022	5,011	(0.2)
FTSE	7,848	7,877	0.4
Nikkei	37,962	38,080	0.3
Hang Seng	16,252	16,386	0.8
Shanghai Comp	3,071	3,074	0.1
Sensex	72,944	72,489	(0.6)
Nifty	22,148	21,996	(0.7)

Source: Bloomberg, Bank of Baroda Research

- Global currencies depreciated. DXY was up by 0.2% after hawkish comments by Fed officials. EUR depreciated the most by 0.3% as the ECB is likely to cut rates before the Fed. INR hovered near a record low amidst a global risk-off sentiment. It is trading further weaker today, in line with other Asian currencies.

**Fig 2 – Currencies**

	17-04-2024	18-04-2024	Change, %
EUR/USD (1 EUR / USD)	1.0673	1.0643	(0.3)
GBP/USD (1 GBP / USD)	1.2454	1.2436	(0.1)
USD/JPY (JPY / 1 USD)	154.39	154.64	(0.2)
USD/INR (INR / 1 USD)	83.54	83.54	0
USD/CNY (CNY / 1 USD)	7.2386	7.2387	0

Source: Bloomberg, Bank of Baroda Research



- Except Japan and China (lower), global yields closed higher. US 10Y yield rose the most by 5bps as Fed officials advocated a no rush approach towards rate cuts. Germany's 10Y yield also rose by 3bps despite ECB policymaker hinting at rate cut in Jun'24. India's 10Y yield closed flat and is trading higher at 7.21% today amidst news of increased tensions in Middle East.

**Fig 3 – Bond 10Y yield**

	17-04-2024	18-04-2024	Change, bps
US	4.59	4.63	5
UK	4.26	4.27	1
Germany	2.47	2.50	3
Japan	0.88	0.87	(1)
China	2.26	2.26	(1)
India	7.19	7.19	0

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	17-04-2024	18-04-2024	change in bps
Tbill-91 days	6.85	6.86	1
Tbill-182 days	6.97	7.02	5
Tbill-364 days	7.03	7.05	2
G-Sec 2Y	7.13	7.09	(4)
India OIS-2M	6.75	6.74	(1)
India OIS-9M	6.86	6.84	(2)
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	16-04-2024	18-04-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.0)	(1.3)	(0.3)
Reverse Repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	15-04-2024	16-04-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(385.6)	(793.8)	(408.2)
Debt	1.9	(402.8)	(404.7)
Equity	(387.5)	(391.0)	(3.5)
Mutual funds (Rs cr)	9,824.3	6,980.5	(2,843.9)
Debt	4,522.3	2,901.1	(1,621.2)
Equity	5,302.1	4,079.4	(1,222.7)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 12 Apr and 15 Apr 2024

- Oil prices fell amidst demand concerns over delayed rate cuts by Fed.

**Fig 7 – Commodities**

	17-04-2024	18-04-2024	% change
Brent crude (US\$/bbl)	87.3	87.1	(0.2)
Gold (US\$/ Troy Ounce)	2,361.0	2,379.0	0.8
Copper (US\$/ MT)	9,489.7	9,652.0	1.7
Zinc (US\$/MT)	2,828.3	2,804.1	(0.9)
Aluminium (US\$/MT)	2,587.0	2,614.5	1.1

Source: Bloomberg, Bank of Baroda Research



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