

## MORNING MOCHA

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US ISM manufacturing index rose to 50.3 in Mar'24, defying expectation of 48.3. The input cost of manufacturers also firmed up with prices paid index rising to 55.8 from previous month's level of 52.8. This has again led to some bit of repricing about future course of Fed rate. Fed Chair also reiterated that there is no rush for a pivot and is contingent on the evolution of growth-inflation matrix. Elsewhere, investors monitored comments of China's President which urged PBOC to go in for bond buying and selling operation to regulate liquidity. In Japan, weakness in Yen again spurred speculation of an intervention by BoJ. On domestic front, GST collections reached second highest record collection of Rs 1.78 lakh crore in Mar'24.

- Global equity markets ended mixed. Stocks in US ended lower as strong PMI data dented expectations of a Jun'24 rate cut by the Fed. On the other hand, stocks in China and Hong Kong rose sharply buoyed by improvement in China's official PMIs. In India, equity indices started the new fiscal year on a positive note with the Sensex rising by 0.5%. Gains were led by real estate and metal sectors. It is however trading weaker today, while other Asian stocks are higher.

**Fig 1 – Stock markets**

	28-03-2024	01-04-2024	% change
Dow Jones	39,807	39,567	(0.6)
S & P 500	5,254	5,244	(0.2)
FTSE	7,932	7,953	0.3
Nikkei	40,168	39,803	(0.9)
Hang Seng	16,393	16,541	0.9
Shanghai Comp	3,011	3,077	2.2
Sensex	73,651	74,015	0.5
Nifty	22,327	22,462	0.6

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended broadly weaker against the dollar. DXY rose by 0.5% as manufacturing activity in the US expanded for the first time since Sep'22. JPY continued to trail near a 34-year low with the government citing the currency's move as "speculative". CNY depreciated despite a pickup in both manufacturing and non-manufacturing PMI. INR is trading a tad stronger today, while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	28-03-2024	01-04-2024	% change
EUR/USD (1 EUR / USD)	1.0790	1.0743	(0.4)
GBP/USD (1 GBP / USD)	1.2623	1.2552	(0.6)
USD/JPY (JPY / 1 USD)	151.35	151.65	(0.2)
USD/INR (INR / 1 USD)	83.38	83.40	(0.0)
USD/CNY (CNY / 1 USD)	7.2224	7.2308	(0.1)

Source: Bloomberg, Bank of Baroda Research



- Except UK (stable) and India (tad lower), global yields closed higher. US 10Y yield rose at the sharpest pace by 11bps as ISM manufacturing index rose unexpectedly in Mar'24. 10Y yield in Germany, Japan and China remained range bound in absence of fresh cues. India's 10Y yield got comfort from a lower-than-expected H1 borrowing. It is trading at 7.08% today.

**Fig 3 – Bond 10Y yield**

	28-03-2024	01-04-2024	change in bps
US	4.20	4.31	11
UK	3.93	3.93	0
Germany	2.29	2.30	1
Japan	0.73	0.74	1
China	2.30	2.31	1
India	7.07	7.06	(1)

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	28-03-2024	29-03-2024	change in bps
Tbill-91 days	6.98	6.90	(8)
Tbill-182 days	7.13	7.04	(9)
Tbill-364 days	7.08	6.99	(9)
G-Sec 2Y	7.06	7.03	(3)
India OIS-2M	6.72	6.72	-
India OIS-9M	6.75	6.75	-
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.33	5.34	1

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	31-03-2024	01-04-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.5)	(0.8)	(0.3)
Reverse Repo	0	0	0
Repo	1.0	1.0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	26-03-2024	27-03-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(82.6)	658.1	740.7
Debt	297.8	173.0	(124.8)
Equity	(380.4)	485.1	865.5
Mutual funds (Rs cr)	(218.0)	(7,335.0)	(7,117.0)
Debt	(4,107.4)	(9,361.7)	(5,254.3)
Equity	3,889.4	2,026.7	(1,862.7)

Source: Bloomberg, Bank of Baroda Research

- Oil prices remained steady as investors monitored supply demand dynamics.

**Fig 7 – Commodities**

	28-03-2024	01-04-2024	% change
Brent crude (US\$/bbl)	87.5	87.4	(0.1)
Gold (US\$/ Troy Ounce)	2,229.9	2,251.4	1.0
Copper (US\$/ MT)	8,744.4	8,766.5	0.3
Zinc (US\$/MT)	2,392.4	2,394.1	0.1
Aluminium (US\$/MT)	2,298.5	2,337.0	1.7

Source: Bloomberg, Bank of Baroda Research



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