

MORNING MOCHA

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ECONOMIST
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Global markets monitored comments of several Fed officials who again gave conflicting signals. Minneapolis Fed President spoke of not needing any rate cut if inflation progress stalls. Cleveland Fed President said that the central bank is nearing its confidence level to embark on an easing cycle. Chicago Fed Chief also spoke of the fact that higher than expected inflation readings in Jan'24 and Feb'24, will not change the interest rate outlook. On macro front, US jobless claims rose more than expected to 221K (est.: 214K), while continuing claims moderated. Elsewhere, in Japan, Yen traded cautiously following comments from BoJ Governor that rate hike might be on the cards in H2CY24. Among major PMI reading, Germany's services activity expanded, while UK's slightly softened. On domestic front, RBI is likely to maintain status quo on rates while remaining bullish on growth.

- Global stocks ended mixed. US indices ended sharply lower after hawkish comments from Minneapolis Fed President. With rate cuts contingent on incoming data, US jobs report is eagerly awaited. A sustained increase in oil prices also weighed on investors' sentiments. However, FTSE and Nikkei edged up. In India, Sensex rose by 0.5% led by gains in consumer durables and banking stocks. It is however trading lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	03-04-2024	04-04-2024	Change, %
Dow Jones	39,127	38,597	(1.4)
S & P 500	5,211	5,147	(1.2)
FTSE	7,937	7,976	0.5
Nikkei	39,452	39,773	0.8
Hang Seng	16,932	16,725	(1.2)
Shanghai Comp	3,075	3,069	(0.2)
Sensex	73,877	74,228	0.5
Nifty	22,435	22,515	0.4

Source: Bloomberg, Bank of Baroda Research, Markets in China were closed yesterday

- Global currencies traded in thin ranges as focus shifted to US jobs report. Fed speakers reiterated the need for caution before cutting rates. Even so, DXY fell by 0.1%. JPY was 0.2% higher. INR depreciated to a fresh record low as oil prices rose further. It is trading stronger today, in line with its Asian peers.

Fig 2 – Currencies

	03-04-2024	04-04-2024	Change, %
EUR/USD (1 EUR / USD)	1.0836	1.0837	0
GBP/USD (1 GBP / USD)	1.2652	1.2642	(0.1)
USD/JPY (JPY / 1 USD)	151.70	151.34	0.2
USD/INR (INR / 1 USD)	83.43	83.45	0
USD/CNY (CNY / 1 USD)	7.2326	7.2332	0

Source: Bloomberg, Bank of Baroda Research, Markets in China were closed yesterday



- Global yields broadly closed lower ahead of the release of US payroll numbers where some softening in labour market is expected. However, Fed officials gave divergent views on the path of Fed fund rate in future. US and UK's 10Y yield fell by 4bps each, followed by Germany's (3bps fall). India's 10Y yield fell a tad and it is trading at 7.10% today awaiting RBI policy and its guidance on liquidity.

Fig 3 – Bond 10Y yield

	03-04-2024	04-04-2024	Change, bps
US	4.35	4.31	(4)
UK	4.06	4.02	(4)
Germany	2.40	2.36	(3)
Japan	0.80	0.79	(1)
China	2.30	2.29	0
India	7.10	7.09	(1)

Source: Bloomberg, Bank of Baroda Research, Markets in China were closed yesterday

Fig 4 – Short term rates

	03-04-2024	04-04-2024	change in bps
Tbill-91 days	6.84	6.84	-
Tbill-182 days	7.00	6.99	(1)
Tbill-364 days	7.02	7.01	(1)
G-Sec 2Y	7.04	7.01	(2)
India OIS-2M	6.68	6.68	-
India OIS-9M	6.78	6.75	(3)
SONIA int rate benchmark	5.20	5.20	(0)
US SOFR	5.34	5.32	(2)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	03-04-2024	04-04-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.6)	(1.6)	0
Reverse Repo	0.2	0.8	0.6
Repo	0.6	0.3	(0.3)

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	02-04-2024	03-04-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	65.6	(588.4)	(654.0)
Debt	119.3	(438.0)	(557.3)
Equity	(53.7)	(150.4)	(96.8)
Mutual funds (Rs cr)	(6,294.2)	494.6	6,788.9
Debt	(5,228.7)	(4.3)	5,224.4
Equity	(1,065.5)	499.0	1,564.5

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 28th Mar and 1st Apr

- Oil rose further amidst ongoing geo-political tensions and supply concerns.

Fig 7 – Commodities

	03-04-2024	04-04-2024	% change
Brent crude (US\$/bbl)	89.4	90.7	1.5
Gold (US\$/ Troy Ounce)	2,300.0	2,290.9	(0.4)
Copper (US\$/ MT)	9,150.6	9,242.1	1.0
Zinc (US\$/MT)	2,500.0	2,601.8	4.1
Aluminium (US\$/MT)	2,429.0	2,444.5	0.6

Source: Bloomberg, Bank of Baroda Research



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