

MORNING MOCHA

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ECONOMIST
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Initial jobless claims in the US rose by 22k to 231k (est.:214k) for the week ending 4 May 2024. Continuing claims remained broadly steady at 1.78mn versus 1.79mn in the previous week. The softer than expected labour market data has increased the hopes of Fed's rate cut in Sep'24. Even Bank of England policy signals that there might be 1-2 rate cuts this year. The Central Bank stated that it was confidence that 2% inflation target will be met in the near-term and incoming data will be monitored for future rate decisions. It also expects Q1 GDP at 0.4% and Q2 at 0.2%. Markets are pricing in 2 rate cuts this year, starting from Aug'24 most likely. Meanwhile, Sweden's Riksbank lowered rates by 25bps to 3.75% in its latest policy. Domestically, government officials have indicated that government has met its fiscal deficit target of 5.8% in FY24.

- Global indices ended mixed. Dow Jones gained for the 7th straight session led by renewed optimism of rate cut supported by recent data (jobless claims). FTSE edged up amidst BoE's rate decision which was in line with expectation. Sensex ended in red amidst volatility, pressure from FIIs selling and election jitters. It is trading lower today, while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	8-05-2024	9-05-2024	Change, %
Dow Jones	39,056	39,388	0.8
S & P 500	5,188	5,214	0.5
FTSE	8,354	8,381	0.3
Nikkei	38,202	38,074	(0.3)
Hang Seng	18,314	18,538	1.2
Shanghai Comp	3,128	3,154	0.8
Sensex	73,466	72,404	(1.4)
Nifty	22,303	21,958	(1.5)

Source: Bloomberg, Bank of Baroda Research

- Except JPY and INR (flat), other global currencies ended higher against the dollar. DXY weakened after weekly jobless claims rose to its highest level since Aug'23, signalling softness in the labour market. GBP climbed after the rate decisions, with the governor signalling a dovish tone. INR is trading stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	8-05-2024	9-05-2024	Change, %
EUR/USD (1 EUR / USD)	1.0748	1.0782	0.3
GBP/USD (1 GBP / USD)	1.2498	1.2524	0.2
USD/JPY (JPY / 1 USD)	155.53	155.48	0
USD/INR (INR / 1 USD)	83.52	83.51	0
USD/CNY (CNY / 1 USD)	7.2246	7.2199	0.1

Source: Bloomberg, Bank of Baroda



- Barring US and UK, other global closed higher. US 10Y fell by 4bps, following softer than expected labour market data, raising hopes of a rate cut in Sep'24. In UK, investors assessed BoE policy to gauge the timing of rate cuts this year. India's 10Y yield ended flat, but is trading slightly lower at 7.12% today.

Fig 3 – Bond 10Y yield

	8-05-2024	9-05-2024	Change, bps
US	4.49	4.45	(4)
UK	4.14	4.14	0
Germany	2.46	2.50	3
Japan	0.88	0.92	4
China	2.30	2.32	2
India	7.13	7.13	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	8-05-2024	9-05-2024	change in bps
Tbill-91 days	6.99	7.00	1
Tbill-182 days	7.07	7.06	(1)
Tbill-364 days	7.08	7.05	(3)
G-Sec 2Y	7.09	7.09	0
India OIS-2M	6.70	6.72	2
India OIS-9M	6.80	6.80	0
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	8-05-2024	9-05-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.6	1.8	0.2
Reverse Repo	0	0	0
Repo	1.5	1.6	0.1

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	7-05-2024	8-05-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(439.7)	(702.8)	(263.1)
Debt	(87.2)	(63.8)	23.5
Equity	(352.5)	(639.0)	(286.6)
Mutual funds (Rs cr)	0.6	(4,008.8)	(4,009.5)
Debt	(394.1)	(4,935.7)	(4,541.6)
Equity	394.7	926.9	532.2

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 3 May and 6 May

- Oil prices rose further, supported by higher imports from China and no breakthrough in peace deal between Israel and Hamas.

Fig 7 – Commodities

	8-05-2024	9-05-2024	% change
Brent crude (US\$/bbl)	83.6	83.9	0.4
Gold (US\$/ Troy Ounce)	2,308.9	2,346.3	1.6
Copper (US\$/ MT)	9,767.4	9,780.6	0.1
Zinc (US\$/MT)	2,869.4	2,876.4	0.2
Aluminium (US\$/MT)	2,549.0	2,561.5	0.5

Source: Bloomberg, Bank of Baroda Research



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