

MORNING MOCHA

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Uncertainty reigned over Fed's rate cuts as comments from Fed officials and US macro data pushed back the possibility of a rate cut. University of Michigan's consumer sentiment index dipped to a 6-month low at 67.4 in May'24 (est. 76) from 77.2 in Apr'24. Consumers' 1Y and 5Y inflation expectations edged up to 3.5% (from 3.2%) and 3.1% (from 3%) respectively, suggesting some de-anchoring of inflation expectations. US CPI report due later in the week will be a key monitorable for the markets. In UK, GDP growth bounced back to 0.6% in Q1CY2024, beating estimates of 0.4% growth. CPI in China rose to 0.3% (est. 0.2%) from 0.1% in Mar'24, signalling some improvement in domestic demand. Deflation in PPI also moderated to 2.5% from 2.8% in Mar'24. On domestic front, IIP growth eased to 4.9% in Mar'24 from 5.6%. Focus now shifts to CPI data due today. We estimate CPI at 4.7%.

- Global stocks ended higher. Hang Seng rose the most by 2.3%, ahead of key earnings report. Stocks elsewhere traded in a narrow range as cautiousness prevailed before the release of US CPI data. Investors also remained prudent amidst reports of longer tenor bond sales in China. Sensex rose by 0.4%, led by gains in power and oil & gas stocks. However, it is trading lower today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	09-05-2024	10-05-2024	Change, %
Dow Jones	39,388	39,513	0.3
S & P 500	5,214	5,223	0.2
FTSE	8,381	8,434	0.6
Nikkei	38,074	38,229	0.4
Hang Seng	18,538	18,964	2.3
Shanghai Comp	3,154	3,155	0
Sensex	72,404	72,664	0.4
Nifty	21,958	22,055	0.4

Source: Bloomberg, Bank of Baroda Research

- Global currencies traded in thin ranges ahead of US CPI report. DXY edged up by 0.1% as US macro data further bolstered the case for higher for longer rates. GBP ended flat despite favourable growth numbers. INR remained in a tight range. It is trading weaker today, in line with other Asian currencies.

Fig 2 – Currencies

	09-05-2024	10-05-2024	Change, %
EUR/USD (1 EUR / USD)	1.0782	1.0771	(0.1)
GBP/USD (1 GBP / USD)	1.2524	1.2525	0
USD/JPY (JPY / 1 USD)	155.48	155.78	(0.2)
USD/INR (INR / 1 USD)	83.51	83.50	0
USD/CNY (CNY / 1 USD)	7.2199	7.2269	(0.1)

Source: Bloomberg, Bank of Baroda



- Global yields closed mixed. US 10Y yield firmed up as inflation expectation index remained sticky. Apart from this, comments of some Fed officials pushing the rate cut in CY25, also impacted investor sentiments. Japan's 10Y yield fell a tad eyeing moderation in PPI print. India's 10Y yield closed stable. It is trading at the same level today, but some upward bias exists ahead of CPI print.

Fig 3 – Bond 10Y yield

	09-05-2024	10-05-2024	Change, bps
US	4.45	4.50	4
UK	4.14	4.17	2
Germany	2.50	2.52	2
Japan	0.92	0.91	(1)
China	2.32	2.32	0
India	7.13	7.13	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	09-05-2024	10-05-2024	change in bps
Tbill-91 days	7.00	7.01	1
Tbill-182 days	7.06	7.05	(1)
Tbill-364 days	7.05	7.04	(1)
G-Sec 2Y	7.09	7.08	0
India OIS-2M	6.72	6.73	1
India OIS-9M	6.80	6.79	(1)
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	09-05-2024	10-05-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.8	1.2	(0.6)
Reverse Repo	0	0	0
Repo	1.6	1.6	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	08-05-2024	09-05-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(702.8)	(774.5)	(71.7)
Debt	(63.8)	24.3	88.1
Equity	(639.0)	(798.8)	(159.8)
Mutual funds (Rs cr)	(2,848.0)	(931.3)	1,916.7
Debt	(4,144.8)	(6,470.7)	(2,325.9)
Equity	1,296.8	5,539.5	4,242.6

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

- Oil prices fell as dollar strengthened on expectation of higher for longer rates.

Fig 7 – Commodities

	09-05-2024	10-05-2024	% change
Brent crude (US\$/bbl)	83.9	82.8	(1.3)
Gold (US\$/ Troy Ounce)	2,346.3	2,360.5	0.6
Copper (US\$/ MT)	9,780.6	9,897.5	1.2
Zinc (US\$/MT)	2,876.4	2,896.5	0.7
Aluminium (US\$/MT)	2,561.5	2,529.5	(1.2)

Source: Bloomberg, Bank of Baroda Research



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