

## MORNING MOCHA

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Global markets remained range-bound ahead of US CPI data. Inflation in the US is expected to moderate to 3.4% from 3.5% in Mar'24, with core inflation at 3.6% (from 3.8% in Mar'24) on a YoY basis. Incidentally, New York Fed Survey showed an uptick in consumers' 1-year inflation expectations. Moreover, consumers' expectations of increase in home prices rose to its highest level since Jul'22. Separately, reports that the US may impose significant tariffs on certain Chinese imports kept markets on edge. China is expected to start the sale of its special long term treasury bonds worth 1tn yuan this week to support its ailing economy. In India, CPI inflation inched down to 4.8% in Apr'24, even as food inflation remained considerably elevated at 8.7%, thus pushing back RBI's rate cut trajectory.

- Global stocks ended mixed. Investors remained cautious ahead of earnings report of major tech companies. Apart from this, inflation readings of major economies (US, Germany) are also due along with comments from the Fed Chair. Hence, global stocks traded thinly. Sensex rose by 0.2%, led by capital goods stocks. It is trading further higher today, while other Asian stocks are trading mixed.

**Fig 1 – Stock markets**

	10-05-2024	13-05-2024	Change, %
Dow Jones	39,513	39,432	(0.2)
S & P 500	5,223	5,221	0
FTSE	8,434	8,415	(0.2)
Nikkei	38,229	38,179	(0.1)
Hang Seng	18,964	19,115	0.8
Shanghai Comp	3,155	3,148	(0.2)
Sensex	72,664	72,776	0.2
Nifty	22,055	22,104	0.2

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY declined as investors' focus remains on US CPI report due on Friday. JPY depreciated by 0.3% as higher interest rate differential with the US continued to weigh on the currency. INR too was marginally weaker amidst a slowdown in FPI inflows. However, it is trading stronger today, in line with other Asian currencies.

**Fig 2 – Currencies**

	10-05-2024	13-05-2024	Change, %
EUR/USD (1 EUR / USD)	1.0771	1.0790	0.2
GBP/USD (1 GBP / USD)	1.2525	1.2559	0.3
USD/JPY (JPY / 1 USD)	155.78	156.22	(0.3)
USD/INR (INR / 1 USD)	83.50	83.53	0
USD/CNY (CNY / 1 USD)	7.2269	7.2334	(0.1)

Source: Bloomberg, Bank of Baroda



- Global yields closed mixed. US 10Y yield fell a tad ahead of inflation data which would shed light on the trajectory of Fed rate. Japan's 10Y yield firmed up by 3bps. Notably, its 20Y yield firmed up to its highest in a decade, as BoJ reduced the quantum of bond purchases. India's 10Y yield fell by 1bps. It is trading marginally lower today at 7.11%.

**Fig 3 – Bond 10Y yield**

	10-05-2024	13-05-2024	Change, bps
US	4.50	4.49	(1)
UK	4.17	4.17	1
Germany	2.52	2.51	(1)
Japan	0.91	0.94	3
China	2.32	2.29	(3)
India	7.13	7.12	(1)

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	10-05-2024	13-05-2024	change in bps
Tbill-91 days	7.01	7.01	0
Tbill-182 days	7.05	7.04	(1)
Tbill-364 days	7.04	7.03	(1)
G-Sec 2Y	7.08	7.08	(1)
India OIS-2M	6.73	6.74	1
India OIS-9M	6.79	6.79	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	10-05-2024	13-05-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.2	1.4	0.2
Reverse Repo	0	0	0
Repo	1.6	1.6	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	09-05-2024	10-05-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(774.5)	(85.1)	689.4
Debt	24.3	69.6	45.3
Equity	(798.8)	(154.8)	644.1
Mutual funds (Rs cr)	(931.3)	1,444.4	2,375.7
Debt	(6,470.7)	(2,878.5)	3,592.2
Equity	5,539.5	4,322.9	(1,216.6)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 8 May and 9 May 2024

- Oil prices inched up amidst bullish sentiment over China's growth.

**Fig 7 – Commodities**

	10-05-2024	13-05-2024	% change
Brent crude (US\$/bbl)	82.8	83.4	0.7
Gold (US\$/ Troy Ounce)	2,360.5	2,336.3	(1.0)
Copper (US\$/ MT)	9,897.5	10,082.4	1.9
Zinc (US\$/MT)	2,896.5	2,953.4	2.0
Aluminium (US\$/MT)	2,529.5	2,542.0	0.5

Source: Bloomberg, Bank of Baroda Research



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