

MORNING MOCHA

15 May 2024

ECONOMIST
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US announced fresh tariffs on a slew of Chinese imports such as semiconductors and EVs. The steep hike in tariffs is over and beyond the tariff increase announced earlier under US' former President. This has led to calls of retaliatory action by China. Trade tensions between two of the world's largest economy can have wide ranging impact on global trade which has just started showing signs of a recovery. Separately, US PPI inched up to 0.5% in Apr'24 (est. 0.3%) from a revised decline of 0.1% in Mar'24 (MoM), led by higher services inflation. The data suggests underlying price pressures in the economy, a view also echoed by the Fed Chair. In his remarks, the Fed Chair noted that progress on inflation has been slower than expected warranting the need for higher rates. In India, WPI inched up to 13-month high, led by higher food and fuel prices.

- Barring Hang Seng and China, global stocks ended higher. Investors monitored US PPI data and upbeat earnings from tech companies. In China, traders remained cautious amidst reports of government's support to real estate sector. Sensex rose by 0.5%. It is trading further higher today. On the other hand, Asian stocks are trading mixed monitoring imposition of new US tariffs on China.

Fig 1 – Stock markets

	13-05-2024	14-05-2024	Change, %
Dow Jones	39,432	39,558	0.3
S & P 500	5,221	5,247	0.5
FTSE	8,415	8,428	0.2
Nikkei	38,179	38,356	0.5
Hang Seng	19,115	19,074	(0.2)
Shanghai Comp	3,148	3,146	(0.1)
Sensex	72,776	73,105	0.5
Nifty	22,104	22,218	0.5

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY fell further even as Fed Chair reiterated the need for keeping rates elevated. EUR appreciated by 0.3% led by an improvement in Germany's economic sentiment index. INR appreciated a tad as oil prices eased. It is trading further stronger today, in line with its Asian peers.

Fig 2 – Currencies

	13-05-2024	14-05-2024	Change, %
EUR/USD (1 EUR / USD)	1.0790	1.0819	0.3
GBP/USD (1 GBP / USD)	1.2559	1.2592	0.3
USD/JPY (JPY / 1 USD)	156.22	156.42	(0.1)
USD/INR (INR / 1 USD)	83.53	83.51	0
USD/CNY (CNY / 1 USD)	7.2334	7.2337	0

Source: Bloomberg, Bank of Baroda



- Global yields closed mixed. US 10Y yield moderated ahead of CPI data which is expected to show some moderation. However, the recent statement of Fed officials pointed to continuation of a restrictive approach. In UK, yield remained stable monitoring employment data. Germany's 10Y yield firmed up despite a stable CPI reading. India's 10Y yield fell a tad. It is trading at 7.09% today.

Fig 3 – Bond 10Y yield

	13-05-2024	14-05-2024	Change, bps
US	4.49	4.44	(5)
UK	4.17	4.17	0)
Germany	2.51	2.55	4
Japan	0.94	0.95	2
China	2.29	2.29	0
India	7.12	7.11	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	13-05-2024	14-05-2024	change in bps
Tbill-91 days	7.01	7.00	(1)
Tbill-182 days	7.04	7.03	(1)
Tbill-364 days	7.03	7.04	1
G-Sec 2Y	7.08	7.06	(2)
India OIS-2M	6.74	6.75	0
India OIS-9M	6.79	6.78	(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	13-05-2024	14-05-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.4	1.5	0.1
Reverse Repo	0	0	0
Repo	1.6	1.8	0.2

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	10-05-2024	13-05-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(85.1)	(639.0)	(553.8)
Debt	69.6	(113.1)	(182.7)
Equity	(154.8)	(525.9)	(371.1)
Mutual funds (Rs cr)	1,444.4	(5,740.1)	(7,184.5)
Debt	(2,878.5)	(8,054.8)	(5,176.3)
Equity	4,322.9	2,314.8	(2,008.1)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 9 May and 10 May 2024

- Oil prices fell despite moderation in US stockpiles.

Fig 7 – Commodities

	13-05-2024	14-05-2024	% change
Brent crude (US\$/bbl)	83.4	82.4	(1.2)
Gold (US\$/ Troy Ounce)	2,336.3	2,358.1	0.9
Copper (US\$/ MT)	10,082.4	10,008.5	(0.7)
Zinc (US\$/MT)	2,953.4	2,960.3	0.2
Aluminium (US\$/MT)	2,542.0	2,551.0	0.4

Source: Bloomberg, Bank of Baroda Research



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