

## MORNING MOCHA

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While welcoming the dip in inflation in Apr'24, two key Fed officials reiterated the need for a cautious approach to rate cuts. Supporting this view, import prices in US rose sharply in Apr'24, while jobless claims dipped. On the other hand, industrial production was flat in Apr'24, as manufacturing activity declined by 0.3%. In China, macro data painted a mixed picture of the economy. Industrial production growth picked up to 6.7% in Apr'24 (est. 5.5%) from 4.5% in Mar'24. However, retail sales increased at a modest pace of 2.3% (est. 3.8%) compared with 3.1% in Mar'24, suggesting weak domestic demand. Growth in fixed asset investment also moderated to 4.2% in Jan-Apr'24 from 4.5% in Jan-Mar'24. Growth in housing prices also remained subdued amidst the ongoing property crisis in the country. It is to be noted that China is scheduled to start the sale of long-term bonds from today to support its economy.

- Stocks in US and UK traded lower tracking weak earnings report. Apart from this a drop in US jobless claims also impacted investor sentiments. Asian stocks broadly traded higher. Sensex rose by 0.9%, led by capital stocks. However, it is trading lower today, while Asian stocks are trading mixed tracking China's mixed data points.

**Fig 1 – Stock markets**

	15-05-2024	16-05-2024	Change, %
Dow Jones	39,908	39,869	(0.1)
S & P 500	5,308	5,297	(0.2)
FTSE	8,446	8,439	(0.1)
Nikkei	38,386	38,920	1.4
Hang Seng	19,074	19,377	1.6
Shanghai Comp	3,120	3,122	0.1
Sensex	72,987	73,664	0.9
Nifty	22,201	22,404	0.9

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed broadly weaker against the dollar. DXY rose by 0.1% amidst hawkish comments from Fed officials. JPY depreciated the most by 0.3% as GDP data disappointed. INR closed flat. However, it is trading stronger today, in line with other Asian currencies.

**Fig 2 – Currencies**

	15-05-2024	16-05-2024	Change, %
EUR/USD (1 EUR / USD)	1.0884	1.0867	(0.2)
GBP/USD (1 GBP / USD)	1.2685	1.2670	(0.1)
USD/JPY (JPY / 1 USD)	154.88	155.39	(0.3)
USD/INR (INR / 1 USD)	83.50	83.50	0
USD/CNY (CNY / 1 USD)	7.2190	7.2214	0

Source: Bloomberg, Bank of Baroda



- Barring Japan and India (lower), global yields closed higher. US 10Y yield inched up by 4bps as Fed officials hinted at a cautious approach despite the drop in recent CPI data. Germany's 10Y yield firmed up as ECB Vice President hinted at macroeconomic risks due to geopolitical tensions. India's 10Y yield fell a tad. It is trading at the same level today, ahead of the weekly auction.

**Fig 3 – Bond 10Y yield**

	15-05-2024	16-05-2024	Change, bps
US	4.34	4.38	4
UK	4.07	4.08	1
Germany	2.42	2.46	4
Japan	0.96	0.93	(3)
China	2.30	2.32	1
India	7.08	7.08	(1)

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	15-05-2024	16-05-2024	change in bps
Tbill-91 days	6.97	6.97	0
Tbill-182 days	7.07	7.05	(2)
Tbill-364 days	7.07	7.05	(2)
G-Sec 2Y	7.06	7.04	(2)
India OIS-2M	6.73	6.72	(1)
India OIS-9M	6.77	6.77	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	15-05-2024	16-05-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.2	0.9	(0.3)
Reverse Repo	0	0	0
Repo	2.3	2.3	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	14-05-2024	15-05-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(310.7)	(123.5)	187.2
Debt	(9.8)	156.6	166.4
Equity	(300.9)	(280.1)	20.8
Mutual funds (Rs cr)	1,767.7	1,245.7	(522.0)
Debt	(2,072.8)	(1,587.4)	485.4
Equity	3,840.5	2,833.1	(1,007.3)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 13 May and 14 May 2024

- Oil prices inched up amidst a fall in inventories.

**Fig 7 – Commodities**

	15-05-2024	16-05-2024	% change
Brent crude (US\$/bbl)	82.8	83.3	0.6
Gold (US\$/ Troy Ounce)	2,386.0	2,376.9	(0.4)
Copper (US\$/ MT)	10,124.8	10,343.2	2.2
Zinc (US\$/MT)	2,927.7	2,915.0	(0.4)
Aluminium (US\$/MT)	2,598.5	2,586.5	(0.5)

Source: Bloomberg, Bank of Baroda Research



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