

## MORNING MOCHA

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ECONOMIST  
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Recent reports of possible de-escalation in the ongoing conflict in the Middle East between Iran and Israel gained prominence, after Iran signalled the possibility of no retaliation against Israel. Investors have downsized the possibility of rate cut by Fed which was earlier expected in Jun'24 and now has been postponed to Sep'24, given the hotter-than-expected inflation data, tight labour market and ongoing geopolitical conflict. Separately, Bundesbank's official recently made comments stating that ECB is expected to cut rates by Jun'24, but noted there are 'still some caveats'. Investors will closely track US GDP, global PMI readings and BoJ's guidance on rate hike this week.

Global indices ended mixed. Investors monitored quarterly earnings reports and scaled back expectations of rate cut possibilities by Fed. Developments surrounding the tensions in Middle East also kept investors on the edge. Nikkei dropped the most led by a slump in semiconductor shares. On other hand, Sensex ended in green, supported by gains in banking and metal stocks. It is trading higher today, in line with other Asian stocks.

**Fig 1 – Stock markets**

	18-04-2024	19-04-2024	Change, %
Dow Jones	37,775	37,986	0.6
S & P 500	5,011	4,967	(0.9)
FTSE	7,877	7,896	0.2
Nikkei	38,080	37,068	(2.7)
Hang Seng	16,386	16,224	(1.0)
Shanghai Comp	3,074	3,065	(0.3)
Sensex	72,489	73,088	0.8
Nifty	21,996	22,147	0.7

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY rose by 0.1%, as Israel's attack on Iran and hawkish comments of Fed officials, impacted investor sentiments. Other safe-haven currencies like JPY and Swiss Franc pared gains. INR rose by 0.1%, as oil prices remain below US\$ 90/bbl mark. It is trading stronger today, while other Asian peers are trading mixed.

**Fig 2 – Currencies**

	18-04-2024	19-04-2024	Change, %
EUR/USD (1 EUR / USD)	1.0643	1.0656	0.1
GBP/USD (1 GBP / USD)	1.2436	1.2370	(0.5)
USD/JPY (JPY / 1 USD)	154.64	154.64	0
USD/INR (INR / 1 USD)	83.54	83.47	0.1
USD/CNY (CNY / 1 USD)	7.2387	7.2393	0

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. US 10Y yield fell by 1bps as investors assess the impact of Israel's attack on Iran. UK 10Y yield fell the most, following comments of BoE deputy governor Ramsden stating that UK inflation might come in lower than bank's projection in the next 3 years. Following stickiness in oil prices, India's 10Y yield rose by 4bps to 7.23%. It is trading at similar levels today.

**Fig 3 – Bond 10Y yield**

	18-04-2024	19-04-2024	Change, bps
US	4.63	4.62	(1)
UK	4.27	4.23	(4)
Germany	2.50	2.50	0
Japan	0.87	0.85	(2)
China	2.26	2.26	0
India	7.19	7.23	4

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	18-04-2024	19-04-2024	change in bps
Tbill-91 days	6.86	6.86	0
Tbill-182 days	7.02	6.98	(4)
Tbill-364 days	7.05	7.04	(1)
G-Sec 2Y	7.09	7.15	6
India OIS-2M	6.74	6.75	1
India OIS-9M	6.84	6.88	4
SONIA int rate benchmark	5.20	5.20	0
US SOFR	5.31	5.30	(1)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	18-04-2024	19-04-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.3)	(0.4)	0.9
Reverse Repo	0.1	0	(0.1)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	16-04-2024	18-04-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(793.8)	(807.7)	(13.9)
Debt	(402.8)	(309.2)	93.6
Equity	(391.0)	(498.5)	(107.5)
Mutual funds (Rs cr)	6,980.5	2,720.8	(4,259.7)
Debt	2,901.1	1,239.8	(1,661.3)
Equity	4,079.4	1,481.0	(2,598.4)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 15 Apr and 16 Apr 2024

- Oil prices were broadly steady as tensions in Middle East persist.

**Fig 7 – Commodities**

	18-04-2024	19-04-2024	% change
Brent crude (US\$/bbl)	87.3	87.1	(0.2)
Gold (US\$/ Troy Ounce)	2,361.0	2,379.0	0.8
Copper (US\$/ MT)	9,489.7	9,652.0	1.7
Zinc (US\$/MT)	2,828.3	2,804.1	(0.9)
Aluminium (US\$/MT)	2,587.0	2,614.5	1.1

Source: Bloomberg, Bank of Baroda Research



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