

## MORNING MOCHA

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Markets remained abreast monitoring slew of data releases globally and assessing Fed minutes. Flash manufacturing PMIs across major economies such as US (50.9 compared to est.: 49.9), UK (51.3 against est.: 49.5) and Germany (45.4 against est.: 43.5), gained momentum. Services PMI for all these economies remained in expansion mode (above the 50-mark). In US, jobless claims again pointed to stickiness in labour market, new home sales data of the region however showed moderation. Minutes of FOMC reflected the tone of higher for longer rates. Recent speech of Atlanta Fed Chief hinted at a cautious approach. Thus markets are pricing in a delayed response on rate cut by Fed. Elsewhere in Japan, core CPI softened thus raising doubts about BoJ's future course of action. On domestic front, RBI announced windfall transfer of surplus to the government.

- Global indices ended mixed. Stocks in US declined led by expectations of higher for longer US rates. Hawkish Fed minutes coupled with strong economic data supported this view. FTSE also ended lower amidst concerns over political stability. Sensex rose sharply by 1.6%, led by auto stocks. It is trading further higher today, while other Asian stocks are trading mostly lower.

**Fig 1 – Stock markets**

	22-05-2024	23-05-2024	Change, %
Dow Jones	39,671	39,065	(1.5)
S & P 500	5,307	5,268	(0.7)
FTSE	8,370	8,339	(0.4)
Nikkei	38,617	39,103	1.3
Hang Seng	19,196	18,869	(1.7)
Shanghai Comp	3,159	3,116	(1.3)
Sensex	74,221	75,418	1.6
Nifty	22,598	22,968	1.6

Source: Bloomberg, Bank of Baroda Research

- DXY climbed for the 4th consecutive session as macro data as well as Fed minutes indicated a delayed start to the rate cut cycle. Despite an improvement in economic activity in the Eurozone, EUR ended weaker. INR is trading stronger at a 1-month high today, while other Asian currencies are trading lower.

**Fig 2 – Currencies**

	22-05-2024	23-05-2024	Change, %
EUR/USD (1 EUR / USD)	1.0823	1.0815	(0.1)
GBP/USD (1 GBP / USD)	1.2717	1.2699	(0.1)
USD/JPY (JPY / 1 USD)	156.80	156.93	(0.1)
USD/INR (INR / 1 USD)	83.31	83.28	0
USD/CNY (CNY / 1 USD)	7.2413	7.2429	0

Source: Bloomberg, Bank of Baroda, Note: Markets in India were closed on 23-05-2024



- Global yields closed mixed. Yields across major economies such as US, UK and Germany firmed up as investors are pushing back the timing of rate cut by Fed. In UK, sticky CPI data has dialled down expectation of softer policy by BoE. India's 10Y yield fell by 4bps supported by RBI's record high surplus transfer to the government. It is trading at 7.03% today. 07.10 GS 2034 is trading at 6.99%.

**Fig 3 – Bond 10Y yield**

	22-05-2024	23-05-2024	Change, bps
US	4.42	4.48	5
UK	4.23	4.26	3
Germany	2.53	2.60	6
Japan	1.01	1.00	(1)
China	2.31	2.31	(1)
India	7.08	7.04	(4)

Source: Bloomberg, Bank of Baroda Research, Note: Markets in India were closed on 23-05-2024

**Fig 4 – Short term rates**

	21-05-2024	22-05-2024	change in bps
Tbill-91 days	6.86	6.87	1
Tbill-182 days	6.97	7.00	3
Tbill-364 days	7.00	7.01	1
G-Sec 2Y	7.03	7.01	(2)
India OIS-2M	6.72	6.72	(0)
India OIS-9M	6.76	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	21-05-2024	22-05-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	2.6	2.4	(0.2)
Reverse Repo	0	0	0
Repo	1.3	2.5	1.2

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	17-05-2024	21-05-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	368.8	(138.3)	(507.1)
Debt	107.6	86.9	(20.7)
Equity	261.2	(225.2)	(486.4)
Mutual funds (Rs cr)	530.0	(387.7)	(917.8)
Debt	(2,293.6)	(466.2)	1,827.5
Equity	2,823.7	78.5	(2,745.2)

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

- Expectations of subdued US demand weighed on oil prices.

**Fig 7 – Commodities**

	22-05-2024	23-05-2024	% change
Brent crude (US\$/bbl)	81.9	81.4	(0.7)
Gold (US\$/ Troy Ounce)	2,378.9	2,329.3	(2.1)
Copper (US\$/ MT)	10,295.2	10,318.4	0.2
Zinc (US\$/MT)	3,006.8	3,014.2	0.2
Aluminium (US\$/MT)	2,636.5	2,621.5	(0.6)

Source: Bloomberg, Bank of Baroda Research



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