

MORNING MOCHA

27 May 2024

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Durable goods orders in the US rose by 0.7% in Apr'24, versus (-) 0.8% estimated decline, and following 0.8% increase in Mar'24. Even core capital goods orders (non-defence capital goods excluding aircrafts), a proxy for business investment, were up by 0.3%, versus (-) 0.1% decline in Mar'24. Stronger than expected macro data has revived fears of a delayed start to rate cuts by Fed. On the other hand, UK economy is showing some more signs of weakness, as Apr'24 retail sales unexpectedly fell, by (-) 2.3% after seeing (-) 0.2% decline in Mar'24. Seasonal factor (rains) impacted sales of clothing, sports equipment and furniture. In Asia, China's industrial profits rose by 4% in Apr'24, following (-) 3.5% decline in Mar'24, supported by higher earnings from export led sectors, even as domestic demand languishes.

- Except US, stocks elsewhere ended broadly lower. US indices rallied buoyed by an uptick in US durable goods orders. Concerns over elevated rates weighed on other global indices, with Hang Seng and Nikkei declining by over 1%. Sensex ended marginally weaker after scaling a new high in intra-day trading. Real estate and metal stocks led the losses. However, it is trading higher today, in line with other Asian markets.

Fig 1 – Stock markets

	23-05-2024	24-05-2024	Change, %
Dow Jones	39,065	39,070	0
S & P 500	5,268	5,305	0.7
FTSE	8,339	8,318	(0.3)
Nikkei	39,103	38,646	(1.2)
Hang Seng	18,869	18,609	(1.4)
Shanghai Comp	3,116	3,089	(0.9)
Sensex	75,418	75,410	0
Nifty	22,968	22,957	0

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

- Global currencies ended mixed. DXY dipped by 0.4% even as US durable goods orders rose more than expected. On the other hand, GBP appreciated despite a sharper than expected decline in retail sales in UK. INR strengthened to a 2-month high amidst expectations of a resumption in FPI inflows. It is trading further stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	23-05-2024	24-05-2024	Change, %
EUR/USD (1 EUR / USD)	1.0815	1.0847	0.3
GBP/USD (1 GBP / USD)	1.2699	1.2737	0.3
USD/JPY (JPY / 1 USD)	156.93	156.99	0
USD/INR (INR / 1 USD)	83.28	83.10	0.2
USD/CNY (CNY / 1 USD)	7.2429	7.2436	0

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



- Global yields traded range bound. Yields in US and Germany fell, while they inched up in India and China. Markets await for more cues regarding the US rate trajectory (GDP data, jobless claims). So far macro data and Fed minutes indicate 'higher for longer' rate scenario. India's 10Y yield rose, tracking gains in oil prices. It is trading at 7.04% today. 07.10 GS 2034 is trading at 6.99%.

Fig 3 – Bond 10Y yield

	23-05-2024	24-05-2024	Change, bps
US	4.48	4.47	(1)
UK	4.26	4.26	0
Germany	2.60	2.58	(1)
Japan	1.00	1.01	0
China	2.31	2.31	1
India	7.04	7.05	1

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

Fig 4 – Short term rates

	22-05-2024	24-05-2024	change in bps
Tbill-91 days	6.87	6.88	1
Tbill-182 days	7.00	7.01	1
Tbill-364 days	7.01	7.00	(1)
G-Sec 2Y	7.01	6.98	(2)
India OIS-2M	6.72	6.73	2
India OIS-9M	6.77	6.80	3
SONIA int rate benchmark	5.20	5.20	0
US SOFR	5.31	5.31	0

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

Fig 5 – Liquidity

Rs tn	22-05-2024	24-05-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	2.4	1.9	(0.5)
Reverse Repo	0	0	0
Repo	2.5	1.3	1.2

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

Fig 6 – Capital market flows

	17-05-2024	21-05-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(138.3)	732.9	871.2
Debt	86.9	25.0	(61.9)
Equity	(225.2)	707.9	933.1
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

- Oil prices inched up on the back of firmer seasonal demand from the US.

Fig 7 – Commodities

	23-05-2024	24-05-2024	% change
Brent crude (US\$/bbl)	81.4	82.1	0.9
Gold (US\$/ Troy Ounce)	2,329.3	2,333.8	0.2
Copper (US\$/ MT)	10,318.4	10,204.6	(1.1)
Zinc (US\$/MT)	3,014.2	2,999.7	(0.5)
Aluminium (US\$/MT)	2,621.5	2,662.0	1.5

Source: Bloomberg, Bank of Baroda Research



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