

MORNING MOCHA

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Germany's IFO business sentiment index remained steady in May at 89.3 with sectors such as manufacturing, construction and trade making steady recovery even as services sector continues to remain a challenge. In Japan, services PPI climbed up to 2.8% in Apr'24 (fastest in 9-year) from 2.4% in Mar'24, signalling sustained rise in inflation. Separately, ahead of the release of inflation data, the ECB officials sounded dovish and stated the likelihood of rate cut in Jun'24 in their commentary as inflation continues to fall in a 'sustained way'. Inflation in Eurozone has been below the 3% mark for the last 7 months. In Australia, retail sales inched up but at a much slower rate than anticipated, raising caution over slower discretionary spending by consumers. On domestic front, IMD retained its forecast of above normal monsoon.

- Global indices ended mixed. The recent upbeat data from the US has raised concerns of possible overheating by some investors and thereby making US equities more vulnerable than its global counterparts. Investors will await key economic readings from US, Europe and Japan. Sensex ended flat. However, it is trading higher today, in line with other Asian markets.

Fig 1 – Stock markets

	24-05-2024	27-05-2024	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	38,646	38,900	0.7
Hang Seng	18,609	18,827	1.2
Shanghai Comp	3,089	3,124	1.1
Sensex	75,410	75,391	0
Nifty	22,957	22,932	(0.1)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in US and UK were closed on 27-05-2024

- Global currencies ended mixed. DXY dipped by 0.1% as investors await US core PCE data scheduled to be released later in the week. GBP logged another session of gains led by expectations that BoE's rate cut might be delayed. INR depreciated by 0.1% as oil prices increased. However, it is trading stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	24-05-2024	27-05-2024	Change, %
EUR/USD (1 EUR / USD)	1.0847	1.0859	0.1
GBP/USD (1 GBP / USD)	1.2737	1.2769	0.3
USD/JPY (JPY / 1 USD)	156.99	156.88	0.1
USD/INR (INR / 1 USD)	83.10	83.14	(0.1)
USD/CNY (CNY / 1 USD)	7.2436	7.2445	(0.0)

Source: Bloomberg, Bank of Baroda | Note: Markets in US and UK were closed on 27-05-2024



- Global yields ended mixed. Germany's 10Y yield declined the most by 4bps as a key ECB policymaker suggested that a Jun'24 rate cut is a "done deal". Sombre data (Germany's business climate index) also weighed on yields. 10Y yield in US dipped marginally ahead of key inflation report. India's 10Y yield eased by 1bps. It is trading flat today. 07.10 GS 2034 is trading lower at 6.97%.

Fig 3 – Bond 10Y yield

	24-05-2024	27-05-2024	Change, bps
US	4.48	4.47	(1)
UK	4.26	4.26	0
Germany	2.58	2.55	(4)
Japan	1.01	1.03	2
China	2.31	2.31	0
India	7.05	7.03	(1)

Source: Bloomberg, Bank of Baroda Research, Note: Markets in US and UK were closed on 27-05-2024

Fig 4 – Short term rates

	24-05-2024	27-05-2024	change in bps
Tbill-91 days	6.88	6.88	0
Tbill-182 days	7.01	7.00	(1)
Tbill-364 days	7.00	7.02	2
G-Sec 2Y	6.98	7.01	3
India OIS-2M	6.73	6.73	0
India OIS-9M	6.80	6.79	0
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 US and UK were closed on 27-05-2024

Fig 5 – Liquidity

Rs tn	24-05-2024	27-05-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.9	1.5	(0.4)
Reverse Repo	0	0	0
Repo	1.3	1.3	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	22-05-2024	24-05-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	732.9	(34.2)	(767.1)
Debt	25.0	78.5	53.5
Equity	707.9	(112.7)	(820.6)
Mutual funds (Rs cr)	136.6	(242.3)	(378.9)
Debt	(1,012.7)	(47.7)	965.0
Equity	1,149.3	(194.6)	(1,343.9)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual Fund data as of 22 May and 23 May 2024

- Oil prices rose as investors awaited policy decision from OPEC+ meeting.

Fig 7 – Commodities

	24-05-2024	27-05-2024	% 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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