

MORNING MOCHA

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ECONOMIST
Jahnavi

Investors will turn their attention towards key inflation reading from both sides of the Atlantic. US PCE data, Fed's preferred indicator for tracking inflation could possibly sway rate cut expectations. On the other hand, Fed official Kashkari stated, 'many more months' of positive inflation data is needed before Fed could dial back on rates. Separately, US consumer confidence index inched up to 102 in May'24 (97.5 in Apr'24). In Australia, inflation edged up to 3.6% in Apr'24 (highest in last 5-months) from 3.5% in Mar'24 led by acceleration in prices of housing (4.9%), food (3.8%), alcohol and tobacco (6.5%) and transport (4.2%). Core CPI (excl food, automotive fuel and holiday travel) remained steady at 4.1% in Apr'24. Higher than expected inflation has also pushed back possibility of rate cut by Central Bank.

- Barring S&P 500 and Hang Seng (flat), other global indices ended lower. Disappointing earnings results dragged down US indices. The focus will shift towards upcoming PCE data which will offer some guidance on Fed's interest rate outlook. Sensex ended lower with sharp losses in real estate and power sector. It is trading lower today, in line with other Asian markets.

Fig 1 – Stock markets

	27-05-2024	28-05-2024	Change, %
Dow Jones	39,070	38,853	(0.6)
S & P 500	5,305	5,306	0
FTSE	8,318	8,254	(0.8)
Nikkei	38,900	38,855	(0.1)
Hang Seng	18,827	18,821	0
Shanghai Comp	3,124	3,110	(0.5)
Sensex	75,391	75,170	(0.3)
Nifty	22,932	22,888	(0.2)

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

- Global currencies ended mixed. DXY rose marginally led by positive macro data and hawkish comments from Minneapolis Fed President. JPY depreciated further led by expectations of widening yield differential between Japan and other advanced economies. INR too depreciated led by weak global cues. It is trading further lower today, in line with other Asian currencies.

Fig 2 – Currencies

	27-05-2024	28-05-2024	Change, %
EUR/USD (1 EUR / USD)	1.0859	1.0857	0
GBP/USD (1 GBP / USD)	1.2769	1.2762	(0.1)
USD/JPY (JPY / 1 USD)	156.88	157.17	(0.2)
USD/INR (INR / 1 USD)	83.14	83.18	(0.1)
USD/CNY (CNY / 1 USD)	7.2445	7.2444	0

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



- Except China and India, global yields inched up. 10Y yield in US rose sharply by 9bps tracking muted demand in treasury auction. Comments from a key Fed official suggesting rate hikes are not entirely ruled out, and a surprise uptick in US consumer confidence index also impacted sentiments. India's 10Y yield inched up (7.10% GS 2034), led by higher oil prices. It is trading flat today.

Fig 3 – Bond 10Y yield

	27-05-2024	28-05-2024	Change, bps
US	4.47	4.55	9
UK	4.26	4.28	2
Germany	2.55	2.59	4
Japan	1.03	1.03	1
China	2.31	2.30	(1)
India	6.99	7.00	1

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

Fig 4 – Short term rates

	27-05-2024	28-05-2024	change in bps
Tbill-91 days	6.88	6.87	(1)
Tbill-182 days	7.00	7.00	0
Tbill-364 days	7.02	7.02	0
G-Sec 2Y	7.01	7.01	0
India OIS-2M	6.73	6.71	(2)
India OIS-9M	6.79	6.79	0
SONIA int rate benchmark	5.20	5.20	0
US SOFR	5.31	5.32	1

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

Fig 5 – Liquidity

Rs tn	27-05-2024	28-05-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.5	1.4	(0.1)
Reverse Repo	0	0	0
Repo	1.3	2.0	0.7

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	24-05-2024	27-05-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(34.2)	441.5	475.7
Debt	78.5	357.7	279.1
Equity	(112.7)	83.8	196.5
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 amidst expectation of OPEC+ to continue with output cuts.

Fig 7 – Commodities

	27-05-2024	28-05-2024	% change
Brent crude (US\$/bbl)	83.1	84.2	1.3
Gold (US\$/ Troy Ounce)	2,351.0	2,361.3	0.4
Copper (US\$/ MT)	10,204.6	10,380.8	1.7
Zinc (US\$/MT)	2,999.7	3,038.3	1.3
Aluminium (US\$/MT)	2,662.0	2,729.5	2.5

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

Chief Economist

Bank of Baroda

chief.economist@bankofbaroda.com