

MORNING MOCHA

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ECONOMIST
Dipanwita Mazumdar

US Fed kept policy rate unchanged in line with expectations. However, Fed Chair's speech hinted at slight comfort in terms of agreeing that rate hike is not on the table. This has supported equity market. DXY and US 10Y yield also moderated. Market is broadly pricing in only one rate cut this year. Elsewhere, in Japan, speculation persisted over likely intervention of officials in the currency market as reflected in the strengthening of yen. Further, wider interest rate differential between US and Japan (currently at ~ 372bps), might call for further intervention in the near term. Amongst major macro prints, US ISM manufacturing PMI shy off the 50 mark. Employment and prices index firmed up. In UK as well, manufacturing PMI remained below the 50-mark, albeit showing some momentum. On domestic front, core sector output growth for FY24 came in at 7.5% from 7.8% recorded in FY23, led by buoyant growth in steel, cement, and natural gas output.

- Except Dow Jones and Hang Seng, other global indices ended lower. Investors assessed comments from Fed Chair to gauge the future path of monetary policy. Slowdown in US manufacturing activity and mixed labour market reports also weighed on investor sentiments. Sensex fell by 0.3% in the last trading session. It is trading further lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	30-04-2024	1-05-2024	Change, %
Dow Jones	37,816	37,903	0.2
S & P 500	5,036	5,018	(0.3)
FTSE	8,144	8,121	(0.3)
Nikkei	38,406	38,274	(0.3)
Hang Seng	17,747	17,763	0.1
Shanghai Comp	3,113	3,105	(0.3)
Sensex	74,671	74,483	(0.3)
Nifty	22,643	22,605	(0.2)

Source: Bloomberg, Bank of Baroda Research, Markets in India, China and Hon Kong were closed on 1 May 2024

- Barring CNY, other global currencies appreciated. Dovish comments from Fed Chair and a slowdown in manufacturing activity in the US weighed on the dollar. JPY rallied further supported by likely intervention by the BoJ. INR opened flat today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	30-04-2024	1-05-2024	Change, %
EUR/USD (1 EUR / USD)	1.0666	1.0712	0.4
GBP/USD (1 GBP / USD)	1.2492	1.2527	0.3
USD/JPY (JPY / 1 USD)	157.80	154.57	2.1
USD/INR (INR / 1 USD)	83.47	83.44	0
USD/CNY (CNY / 1 USD)	7.2290	7.2411	(0.2)

Source: Bloomberg, Bank of Baroda Research, Markets in India, China and Hon Kong were closed on 1 May 2024



- Global yields closed mixed. US 10Y fell by 5bps as Fed Chair signalled some easing of monetary policy in the near term. 10Y yield in Germany firmed up as ECB official hinted at substantial risk to inflation. India's 10Y yield fell a tad by 1bps. For India's 10Y yield, the past month's volatility was broadly led by the rhetoric of US 10Y yield. It is trading lower at 7.17% today.

Fig 3 – Bond 10Y yield

	30-04-2024	1-05-2024	Change, bps
US	4.68	4.63	(5)
UK	4.35	4.37	2
Germany	2.53	2.58	5
Japan	0.88	0.89	1
China	2.36	2.31	(4)
India	7.20	7.19	(1)

Source: Bloomberg, Bank of Baroda Research, Markets in India, China and Hon Kong were closed on 1 May 2024

Fig 4 – Short term rates

	30-04-2024	1-05-2024	change in bps
Tbill-91 days	6.96	6.98	2
Tbill-182 days	7.01	7.01	0
Tbill-364 days	7.06	7.06	0
G-Sec 2Y	7.14	7.14	0
India OIS-2M	6.76	6.74	(2)
India OIS-9M	6.84	6.85	1
SONIA int rate benchmark	5.20	5.20	0
US SOFR	5.32	5.34	2

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	30-04-2024	1-05-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.6	1.0	(0.6)
Reverse Repo	0	0	0
Repo	1.8	1.7	(0.1)

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	26-04-2024	29-04-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(273.4)	(47.7)	225.7
Debt	11.3	(48.4)	(59.7)
Equity	(284.7)	0.7	285.4
Mutual funds (Rs cr)	(326.3)	2,436.8	2,763.1
Debt	(3,158.4)	(2,111.3)	1,047.1
Equity	2,832.2	4,548.1	1,716.0

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 25 Apr and 26 Apr 2024

- Oil prices moderated amidst rise in US crude inventory.

Fig 7 – Commodities

	30-04-2024	1-05-2024	% change
Brent crude (US\$/bbl)	87.9	83.4	(5.0)
Gold (US\$/ Troy Ounce)	2,286.3	2,319.6	1.5
Copper (US\$/ MT)	9,892.4	9,782.4	(1.1)
Zinc (US\$/MT)	2,914.6	2,866.1	(1.7)
Aluminium (US\$/MT)	2,591.5	2,577.5	(0.5)

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