

## MORNING MOCHA

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A deluge of data is expected to guide the markets including inflation reading from US and Europe. US GDP for Q1 was revised downwards to 1.3% (1.6% previously) with slower pace of growth in personal spending. US jobless claims edged up in the preceding week to 219,000. China's manufacturing activity slipped into contraction unexpectedly to 49.5 in May'24 from 50.4 in Apr'24. Both sub-indices, new orders and export orders declined, after registering positive growth for 2-months. Employment level continue to shrink. Separately, Japan's industrial output surprised negatively with a 0.1% fall in Apr'24 (on MoM basis) much lower than expectation (1% rise) led by decline in transport equipment production. Additionally, Tokyo's core inflation climbed up to 1.9% in May'24 (1.6% in Apr'24).

- Barring Dow Jones, other global indices ended lower. US indices dropped further as investors monitored subdued data (downward revision in GDP and higher weekly jobless claims). Amongst other indices, both Hang Seng and Nikkei dropped by 1.3% each. Sensex ended in red and was dragged down by losses in metal and consumer durable sector. However, it is trading higher today, in line with other Asian markets.

**Fig 1 – Stock markets**

	29-05-2024	30-05-2024	Change, %
Dow Jones	38,442	38,111	(0.9)
S & P 500	5,267	5,235	(0.6)
FTSE	8,183	8,231	0.6
Nikkei	38,557	38,054	(1.3)
Hang Seng	18,477	18,230	(1.3)
Shanghai Comp	3,111	3,092	(0.6)
Sensex	74,503	73,886	(0.8)
Nifty	22,705	22,489	(1.0)

Source: Bloomberg, Bank of Baroda Research

- Barring INR, other major currencies ended stronger as dollar weakened. DXY fell by (-) 0.4%, as investors noted weaker than previously estimated US Q1 GDP print. Dip in US treasury yields also impacted strength of the dollar. JPY and EUR gained the most. INR ended flat. However, it is trading higher today, in line with other Asian currencies.

**Fig 2 – Currencies**

	29-05-2024	30-05-2024	Change, %
EUR/USD (1 EUR / USD)	1.0801	1.0832	0.3
GBP/USD (1 GBP / USD)	1.2701	1.2732	0.2
USD/JPY (JPY / 1 USD)	157.64	156.82	0.5
USD/INR (INR / 1 USD)	83.34	83.32	0
USD/CNY (CNY / 1 USD)	7.2492	7.2327	0.2

Source: Bloomberg, Bank of Baroda



- Except China, other major global yields closed lower. US 10Y yield fell the most by 7bps, as downwardly revised US GDP for Q1 revived hopes of increased chances of Fed rate cut this year. PCE data, due today, will provide additional cues. India's 10Y yield also declined in line with global cues. However, it is trading slightly higher today at 7.05% today.

**Fig 3 – Bond 10Y yield**

	29-05-2024	30-05-2024	Change, bps
US	4.61	4.55	(7)
UK	4.40	4.35	(5)
Germany	2.69	2.65	(4)
Japan	1.09	1.06	(2)
China	2.30	2.31	1
India	7.01	7.00	(2)

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	29-05-2024	30-05-2024	change in bps
Tbill-91 days	6.86	6.86	0
Tbill-182 days	7.00	7.00	0
Tbill-364 days	7.03	7.02	(1)
G-Sec 2Y	7.01	7.02	1
India OIS-2M	6.71	6.71	0
India OIS-9M	6.80	6.80	0
SONIA int rate benchmark	5.20	5.20	0
US SOFR	5.32	5.33	1

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	29-05-2024	30-05-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.5	1.0	(0.5)
Reverse Repo	0	0	0
Repo	2.0	2.0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	28-05-2024	29-05-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	290.2	(345.0)	(635.2)
Debt	33.6	172.4	138.9
Equity	256.7	(517.4)	(774.1)
Mutual funds (Rs cr)	2,596.9	1,481.5	(1,115.4)
Debt	1,079.0	(1,776.2)	(2,855.2)
Equity	1,517.8	3,257.7	1,739.9

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 27 May and 28 May 2024

- Oil prices slipped further, as US macro data signals weak demand conditions.

**Fig 7 – Commodities**

	29-05-2024	30-05-2024	% change
Brent crude (US\$/bbl)	83.6	81.9	(2.1)
Gold (US\$/ Troy Ounce)	2,338.1	2,343.1	0.2
Copper (US\$/ MT)	10,326.3	10,007.1	(3.1)
Zinc (US\$/MT)	3,041.1	3,013.0	(0.9)
Aluminium (US\$/MT)	2,767.5	2,703.5	(2.3)

Source: Bloomberg, Bank of Baroda Research



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