

MORNING MOCHA

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ECONOMIST
Sonal Badhan

Softer than expected labour market data in the US has refuelled hopes of maybe 2 rate cuts (cumulative 50bps) by Fed this year. Probability of rate cut in Sep'24 has also risen to 66.6% as per CME FedWatch Tool. This has led to sharp decline in global yields and US\$. As a result, gold prices have gained. Markets now await rate decision of BoE. In Europe, services activity seems to be rebounding with Eurozone PMI at 11-month high of 53.3 in Apr'24 versus 51.5 in Mar'24. Germany and France also noted improvement in performance. This is driven by renewed domestic demand, as new export orders continue to dip. Notably, price pressures are also seen reviving, which could pose a concern for Central Banks. Elsewhere in Asia, activity remains solid in India (most robust growth in 14 years) and balanced in Japan (PMI at 54.3 versus 54.1).

- Global stocks ended mixed. Recent commentary by Fed officials buoyed some hopes of a possible rate cut by Fed this year, with inflation remaining sticky. US stocks advanced higher supported by gains in energy index. Hang Sang continue to climb higher. Sensex virtually ended flat with gains in real estate stocks. It is trading higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	3-05-2024	6-05-2024	Change, %
Dow Jones	38,676	38,852	0.5
S & P 500	5,128	5,181	1.0
FTSE	8,172	8,213	0.5
Nikkei	38,274	38,236	(0.1)
Hang Seng	18,476	18,578	0.6
Shanghai Comp	3,113	3,105	(0.3)
Sensex	73,878	73,896	0
Nifty	22,476	22,443	(0.1)

Source: Bloomberg, Bank of Baroda Research | Note: Market in Japan has been closed since 3 May, in China since 30 Apr; UK was closed on 6 May

- Global currencies ended mixed. DXY remains steady post softer than expected jobs report and the focus shift towards commentary by Fed officials and consumer confidence index. JPY weakened by 0.6%. INR depreciated by 0.1% amidst a rise in oil prices. However, it is trading stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	3-05-2024	6-05-2024	Change, %
EUR/USD (1 EUR / USD)	1.0761	1.0769	0.1
GBP/USD (1 GBP / USD)	1.2547	1.2562	0.1
USD/JPY (JPY / 1 USD)	153.05	153.92	(0.6)
USD/INR (INR / 1 USD)	83.43	83.50	(0.1)
USD/CNY (CNY / 1 USD)	7.2411	7.2088	0.4

Source: Bloomberg, Bank of Baroda | Note: Market in Japan has been closed since 3 May; UK was closed on 6 May



- Global yields fell sharply, led by 9bps decline in US 10Y yield. Smaller than expected job additions in the US have revived hopes of 2 rate cuts by Fed this year. Probability of a rate cut in Sep'24 has also increased to 66.6%. India's 10Y yield fell by 5bps, following global cues. It is trading flat today at 7.11%.

Fig 3 – Bond 10Y yield

	3-05-2024	6-05-2024	Change, bps
US	4.58	4.49	(9)
UK	4.29	4.22	(6)
Germany	2.54	2.47	(7)
Japan	0.90	0.90	0
China	2.31	2.31	0
India	7.16	7.11	(5)

Source: Bloomberg, Bank of Baroda Research| Note: Market in Japan has been closed since 3 May; UK was closed on 6 May

Fig 4 – Short term rates

	3-05-2024	6-05-2024	change in bps
Tbill-91 days	6.98	6.92	(6)
Tbill-182 days	7.01	6.99	(2)
Tbill-364 days	7.06	7.05	(1)
G-Sec 2Y	7.12	7.07	(4)
India OIS-2M	6.73	6.68	(5)
India OIS-9M	6.83	6.77	(5)
SONIA int rate benchmark	5.20	5.20	0
US SOFR	5.32	5.31	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	3-05-2024	6-05-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.8	1.0	0.2
Reverse Repo	0	0	0
Repo	0	1.6	1.6

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	30-04-2024	2-05-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	189.5	(258.1)	(447.6)
Debt	(32.1)	(174.8)	(142.7)
Equity	221.6	(83.3)	(304.9)
Mutual funds (Rs cr)	(26.3)	851.4	877.7
Debt	(1,854.5)	(876.9)	977.6
Equity	1,828.3	1,728.3	(100.0)

Source: Bloomberg, Bank of Baroda Research

- Oil prices inched back up, tracking price hike by Saudi Arabia and Israel's attack on Gaza.

Fig 7 – Commodities

	3-05-2024	6-05-2024	% change
Brent crude (US\$/bbl)	83.0	83.3	0.4
Gold (US\$/ Troy Ounce)	2,301.7	2,324.0	1.0
Copper (US\$/ MT)	9,642.5	9,790.1	1.5
Zinc (US\$/MT)	2,860.3	2,872.6	0.4
Aluminium (US\$/MT)	2,528.0	2,551.5	0.9

Source: Bloomberg, Bank of Baroda Research| Note: Market in UK was closed on 6 May



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For further details about this publication, please contact:

Chief Economist

Bank of Baroda

chief.economist@bankofbaroda.com