

MORNING MOCHA

14 May 2024

ECONOMIST
Aditi Gupta

Global markets remained range-bound ahead of US CPI data. Inflation in the US is expected to moderate to 3.4% from 3.5% in Mar'24, with core inflation at 3.6% (from 3.8% in Mar'24) on a YoY basis. Incidentally, New York Fed Survey showed an uptick in consumers' 1-year inflation expectations. Moreover, consumers' expectations of increase in home prices rose to its highest level since Jul'22. Separately, reports that the US may impose significant tariffs on certain Chinese imports kept markets on edge. China is expected to start the sale of its special long term treasury bonds worth 1tn yuan this week to support its ailing economy. In India, CPI inflation inched down to 4.8% in Apr'24, even as food inflation remained considerably elevated at 8.7%, thus pushing back RBI's rate cut trajectory.

- Global stocks ended mixed. Investors remained cautious ahead of earnings report of major tech companies. Apart from this, inflation readings of major economies (US, Germany) are also due along with comments from the Fed Chair. Hence, global stocks traded thinly. Sensex rose by 0.2%, led by capital goods stocks. It is trading further higher today, while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	10-05-2024	13-05-2024	Change, %
Dow Jones	39,513	39,432	(0.2)
S & P 500	5,223	5,221	0
FTSE	8,434	8,415	(0.2)
Nikkei	38,229	38,179	(0.1)
Hang Seng	18,964	19,115	0.8
Shanghai Comp	3,155	3,148	(0.2)
Sensex	72,664	72,776	0.2
Nifty	22,055	22,104	0.2

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY declined as investors' focus remains on US CPI report due on Friday. JPY depreciated by 0.3% as higher interest rate differential with the US continued to weigh on the currency. INR too was marginally weaker amidst a slowdown in FPI inflows. However, it is trading stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	10-05-2024	13-05-2024	Change, %
EUR/USD (1 EUR / USD)	1.0771	1.0790	0.2
GBP/USD (1 GBP / USD)	1.2525	1.2559	0.3
USD/JPY (JPY / 1 USD)	155.78	156.22	(0.3)
USD/INR (INR / 1 USD)	83.50	83.53	0
USD/CNY (CNY / 1 USD)	7.2269	7.2334	(0.1)

Source: Bloomberg, Bank of Baroda



- Global yields closed mixed. US 10Y yield fell a tad ahead of inflation data which would shed light on the trajectory of Fed rate. Japan's 10Y yield firmed up by 3bps. Notably, its 20Y yield firmed up to its highest in a decade, as BoJ reduced the quantum of bond purchases. India's 10Y yield fell by 1bps. It is trading marginally lower today at 7.11%.

Fig 3 – Bond 10Y yield

	10-05-2024	13-05-2024	Change, bps
US	4.50	4.49	(1)
UK	4.17	4.17	1
Germany	2.52	2.51	(1)
Japan	0.91	0.94	3
China	2.32	2.29	(3)
India	7.13	7.12	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	10-05-2024	13-05-2024	change in bps
Tbill-91 days	7.01	7.01	0
Tbill-182 days	7.05	7.04	(1)
Tbill-364 days	7.04	7.03	(1)
G-Sec 2Y	7.08	7.08	(1)
India OIS-2M	6.73	6.74	1
India OIS-9M	6.79	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

Fig 5 – Liquidity

Rs tn	10-05-2024	13-05-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.2	1.4	0.2
Reverse Repo	0	0	0
Repo	1.6	1.6	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	09-05-2024	10-05-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(774.5)	(85.1)	689.4
Debt	24.3	69.6	45.3
Equity	(798.8)	(154.8)	644.1
Mutual funds (Rs cr)	(931.3)	1,444.4	2,375.7
Debt	(6,470.7)	(2,878.5)	3,592.2
Equity	5,539.5	4,322.9	(1,216.6)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 8 May and 9 May 2024

- Oil prices inched up amidst bullish sentiment over China's growth.

Fig 7 – Commodities

	10-05-2024	13-05-2024	% change
Brent crude (US\$/bbl)	82.8	83.4	0.7
Gold (US\$/ Troy Ounce)	2,360.5	2,336.3	(1.0)
Copper (US\$/ MT)	9,897.5	10,082.4	1.9
Zinc (US\$/MT)	2,896.5	2,953.4	2.0
Aluminium (US\$/MT)	2,529.5	2,542.0	0.5

Source: Bloomberg, Bank of Baroda Research



Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at



For further details about this publication, please contact:

Chief Economist

Bank of Baroda

+91 22 6698 5143

chief.economist@bankofbaroda.com