

## MORNING MOCHA

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ECONOMIST

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Fed's Beige book noted the economic activity in the US continued to expand at modest pace during the Apr-Mid May period. There has been a pushback by consumers after retail spending inched up moderately, 'reflecting lower discretionary spending and heightened price sensitivity'. IMF revised its forecast for China 5% growth in CY24, with risk tilted to the downside given the ongoing measures taken by the government. For CY25, it expects the economy to moderate by 4.5%. On the domestic front, S&P has revised India's outlook from stable to positive with a rating of BBB- on the back of improved quality of government expenditure, political commitment to fiscal consolidation and robust economic growth.

- Global indices ended mixed. US indices ended in red after treasury yields registered gains amidst conflicting signs of timing and cuts in interest rates by Fed. Amongst other indices, Hang Seng dropped the most followed by losses in FTSE and Nikkei. The drop in Nikkei was due to growing threats of a possible hike by BoJ which affected the demand for stocks. Sensex ended lower and was dragged down by losses in banking and oil & gas sector. It is trading lower today, in line with other Asian markets.

**Fig 1 – Stock markets**

	28-05-2024	29-05-2024	Change, %
Dow Jones	38,853	38,442	(1.1)
S & P 500	5,306	5,267	(0.7)
FTSE	8,254	8,183	(0.9)
Nikkei	38,855	38,557	(0.8)
Hang Seng	18,821	18,477	(1.8)
Shanghai Comp	3,110	3,111	0
Sensex	75,170	74,503	(0.9)
Nifty	22,888	22,705	(0.8)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended weaker as dollar regained strength. DXY rose by 0.5% to a near 3-week high, as investors dialled back expectations of Fed rate cuts. A jump in US treasury yields also supported the dollar. Both EUR and GBP depreciated by 0.5%. INR also ended weaker by 0.2%. It is trading further lower today, in line with other Asian currencies.

**Fig 2 – Currencies**

	28-05-2024	29-05-2024	Change, %
EUR/USD (1 EUR / USD)	1.0857	1.0801	(0.5)
GBP/USD (1 GBP / USD)	1.2762	1.2701	(0.5)
USD/JPY (JPY / 1 USD)	157.17	157.64	(0.3)
USD/INR (INR / 1 USD)	83.18	83.34	(0.2)
USD/CNY (CNY / 1 USD)	7.2444	7.2492	(0.1)

Source: Bloomberg, Bank of Baroda



- Anticipation of a delayed start to the global rate cut cycle has led to a sharp sell-off in global yields. Germany's 10Y yield inched up by 10bps amidst a higher-than-expected CPI print. In US, 10Y yield rose by 6bps, ahead of PCE data. India's 10Y yield also rose in line with global cues. However, an upgrade of India's rating outlook by S&P, limited losses. It is trading flat today.

**Fig 3 – Bond 10Y yield**

	28-05-2024	29-05-2024	Change, bps
US	4.55	4.61	6
UK	4.28	4.40	12
Germany	2.59	2.69	10
Japan	1.03	1.09	5
China	2.30	2.30	(0)
India	7.00	7.01	2

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	28-05-2024	29-05-2024	change in bps
Tbill-91 days	6.87	6.86	(1)
Tbill-182 days	7.00	7.00	0
Tbill-364 days	7.02	7.03	1
G-Sec 2Y	7.01	7.01	1
India OIS-2M	6.71	6.71	0
India OIS-9M	6.79	6.80	1
SONIA int rate benchmark	5.20	5.20	0
US SOFR	5.32	5.32	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	28-05-2024	29-05-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.4	1.5	0.1
Reverse Repo	0	0	0
Repo	1.3	2.0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	27-05-2024	28-05-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	441.5	290.2	(151.2)
Debt	357.7	33.6	(324.1)
Equity	83.8	256.7	172.9
Mutual funds (Rs cr)	(242.3)	3,765.0	4,007.3
Debt	(47.7)	779.6	827.4
Equity	(194.6)	2,985.4	3,179.9

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 23 May and 24 May 2024

- Oil prices slipped ahead of the key crude stockpiles data from the US.

**Fig 7 – Commodities**

	28-05-2024	29-05-2024	% change
Brent crude (US\$/bbl)	84.2	83.6	(0.7)
Gold (US\$/ Troy Ounce)	2,361.3	2,338.1	(1.0)
Copper (US\$/ MT)	10,380.8	10,326.3	(0.5)
Zinc (US\$/MT)	3,038.3	3,041.1	0.1
Aluminium (US\$/MT)	2,729.5	2,767.5	1.4

Source: Bloomberg, Bank of Baroda Research



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