

MORNING MOCHA

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CPI inflation in US moderated to 0.3% in Apr'24 (est. 0.4%) from 0.4% in Mar'24 (MoM). Core inflation also eased to 0.3% (from 0.4%). Separately, growth in retail sales was flat in Apr'24 (est. 0.4%), following a 0.6% increase in Mar'24 (MoM). The data has led to increased expectations of Fed's rate cut cycle to commence from Sep'24. GDP growth in the Eurozone bounced back to 0.3% in Q1 CY24 after declining by 0.1% in Q4 CY23. Notably, the European Commission left the growth forecast for the region unchanged at 1% in 2024. However, inflation estimate was revised lower to 2.5% in 2024 versus 2.7% estimated earlier. In Japan, GDP growth declined sharply by 0.5% in Q1 CY24 versus an expected 0.3% decline (QoQ), led by a continued contraction in private consumption. In India, trade deficit inched up to a 4-month high in Apr'24 as imports increased at a faster pace than exports.

- Global stocks closed mixed. Stocks in US inched up as moderation in CPI and retail sales reignited hopes of a rate cut by Fed this year itself. Shanghai Comp moderated as US imposed steep tariffs on Chinese imports. Sensex fell by 0.2%, led by auto stocks. However, it is trading higher today, in line with Asian stocks.

Fig 1 – Stock markets

	14-05-2024	15-05-2024	Change, %
Dow Jones	39,558	39,908	0.9
S & P 500	5,247	5,308	1.2
FTSE	8,428	8,446	0.2
Nikkei	38,356	38,386	0.1
Hang Seng	19,115	19,074	(0.2)
Shanghai Comp	3,146	3,120	(0.8)
Sensex	73,105	72,987	(0.2)
Nifty	22,218	22,201	(0.1)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in Hong Kong were closed on 15 May 2024

- Global currencies appreciated against the dollar. DXY dipped by 0.6% after a US macro data boosted bets of a rate cut in Sep'24. JPY gained the most by 1%. EUR also gained following a stronger than expected growth in Q1 CY24 GDP. INR remained rangebound. It is trading stronger today, in line with its Asian peers.

Fig 2 – Currencies

	14-05-2024	15-05-2024	Change, %
EUR/USD (1 EUR / USD)	1.0819	1.0884	0.6
GBP/USD (1 GBP / USD)	1.2592	1.2685	0.7
USD/JPY (JPY / 1 USD)	156.42	154.88	1.0
USD/INR (INR / 1 USD)	83.51	83.50	0
USD/CNY (CNY / 1 USD)	7.2337	7.2190	0.2

Source: Bloomberg, Bank of Baroda



- Barring Japan and China, global yields closed lower. US 10Y yield fell by 10bps supported by moderation in CPI data. The reverberation was also felt across yields in UK and Germany. In China, traders remained watchful of the impact of long tenor bond sales. India's 10Y yield fell by 3bps led by global cues. It is trading further lower at 7.06% today.

Fig 3 – Bond 10Y yield

	14-05-2024	15-05-2024	Change, bps
US	4.44	4.34	(10)
UK	4.17	4.07	(11)
Germany	2.55	2.42	(13)
Japan	0.95	0.96	0
China	2.29	2.30	1
India	7.11	7.08	(3)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	14-05-2024	15-05-2024	change in bps
Tbill-91 days	7.00	6.97	(3)
Tbill-182 days	7.03	7.07	4
Tbill-364 days	7.04	7.07	3
G-Sec 2Y	7.06	7.06	0
India OIS-2M	6.75	6.73	(2)
India OIS-9M	6.78	6.77	(1)
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	14-05-2024	15-05-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.5	1.2	(0.3)
Reverse Repo	0	0	0
Repo	1.8	2.3	0.5

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	13-05-2024	14-05-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(639.0)	(310.7)	328.3
Debt	(113.1)	(9.8)	103.3
Equity	(525.9)	(300.9)	225.0
Mutual funds (Rs cr)	(5,740.1)	1,767.7	7,507.7
Debt	(8,054.8)	(2,072.8)	5,982.1
Equity	2,314.8	3,840.5	1,525.7

Source: Bloomberg, Bank of Baroda Research| Note: Mutual Fund data as of 10 May and 11 May 2024

- Oil prices inched up led by expectation of demand revival aided by lower rates.

Fig 7 – Commodities

	14-05-2024	15-05-2024	% change
Brent crude (US\$/bbl)	82.4	82.8	0.4
Gold (US\$/ Troy Ounce)	2,358.1	2,386.0	1.2
Copper (US\$/ MT)	10,008.5	10,124.8	1.2
Zinc (US\$/MT)	2,960.3	2,927.7	(1.1)
Aluminium (US\$/MT)	2,551.0	2,598.5	1.9

Source: Bloomberg, Bank of Baroda Research



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