

MORNING MOCHA

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ECONOMIST
Sonal Badhan

ECB in its latest policy meeting decided to leave the key rates unchanged, but for the 1st time incorporated the statement that it will loosen the policy once it gets clear indication of inflation nearing the 2% mark. This is the strongest rate cut signal given so far. In contrast, uncertainty around the timing of Fed's rate cut has again increased, as hotter than expected CPI print gave support to FOMC views (in the minutes) that more evidence is needed to see if the inflation is coming down on durable basis. Geopolitical tensions in the Middle East and its impact on oil prices was also highlighted as a concern. Further, dip in initial jobless claims to 211k for the week ending 6 Apr versus est.: 215k and 222k in the previous week, also reflect strength in the economy. However, as breather, US PPI has come in at 0.2% (Mar'24) versus est.: 0.3% and 0.6% in Feb'24.

- Global stocks ended mixed as investors' monitored key US inflation data with PPI rising at a slower pace than expected. The focus will now shift towards earnings report. Amongst other indices, FTSE dropped the most led by sharp losses in banking stocks. Sensex after trading to an all-time high, slipped and is trading lower today, while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	10-04-2024	11-04-2024	Change, %
Dow Jones	38,462	38,459	0
S & P 500	5,161	5,199	0.7
FTSE	7,961	7,924	(0.5)
Nikkei	39,582	39,443	(0.4)
Hang Seng	17,139	17,095	(0.3)
Shanghai Comp	3,027	3,034	0.2
Sensex	74,684	75,038	0.5
Nifty	22,643	22,754	0.5

Source: Bloomberg, Bank of Baroda Research| Markets in India were closed on 11 Apr 2024

- Global currencies ended mixed. DXY was largely unchanged and the recent PPI data has reinforced concerns of Fed delaying rate cut. According to the CME Fed watch tool, investors have priced in a 76% chance of no rate cut in Jun'24. JPY continues to depreciate, raising the possibility of government intervention. INR is trading weaker today, while Asian peers are trading mixed.

Fig 2 – Currencies

	10-04-2024	11-04-2024	Change, %
EUR/USD (1 EUR / USD)	1.0743	1.0726	(0.2)
GBP/USD (1 GBP / USD)	1.2540	1.2553	0.1
USD/JPY (JPY / 1 USD)	153.16	153.27	(0.1)
USD/INR (INR / 1 USD)	83.32	83.19	0.1
USD/CNY (CNY / 1 USD)	7.2343	7.2370	0

Source: Bloomberg, Bank of Baroda Research| Markets in India were closed on 9 & 11 Apr 2024



- Barring China (flat), India (closed), other major 10Y yields inched up. Higher than expected retail inflation in the US, FOMC minutes indicating more cautious approach of members against inflation, and lower than expected jobless claims, have reignited fears that Fed may not cut rates in Jun'24 also. Following global cues, India's 10Y yield has opened much higher today at 7.18%.

Fig 3 – Bond 10Y yield

	10-04-2024	11-04-2024	Change, bps
US	4.54	4.59	4
UK	4.15	4.20	5
Germany	2.44	2.46	3
Japan	0.81	0.87	6
China	2.30	2.29	0
India	7.15	7.11	(4)

Source: Bloomberg, Bank of Baroda Research| Markets in India were closed on 9 & 11 Apr 2024

Fig 4 – Short term rates

	08-04-2024	10-04-2024	change in bps
Tbill-91 days	6.82	6.86	4
Tbill-182 days	6.99	7.01	2
Tbill-364 days	7.01	7.03	2
G-Sec 2Y	7.07	7.06	(1)
India OIS-2M	6.70	6.69	(1)
India OIS-9M	6.82	6.79	(3)
SONIA int rate benchmark	5.19	5.20	0
US SOFR	5.31	5.31	0

Source: Bloomberg, Bank of Baroda Research| Markets in India were closed on 9 & 11 Apr 2024

Fig 5 – Liquidity

Rs tn	08-04-2024	10-04-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.6)	(0.8)	(0.2)
Reverse Repo	0	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research| Markets in India were closed on 9 & 11 Apr 2024

Fig 6 – Capital market flows

	05-04-2024	08-04-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	34.7	1,090.2	1,055.5
Debt	(194.9)	66.8	261.7
Equity	229.6	1,023.4	793.8
Mutual funds (Rs cr)	31.7	(94.1)	(125.9)
Debt	1,377.3	3,442.3	2,065.0
Equity	(1,345.5)	(3,536.4)	(2,190.9)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual fund data as of 4 Apr and 5 Apr

- Oil prices fell, as demand concerns resurfaced due stickiness in US CPI data.

Fig 7 – Commodities

	10-04-2024	11-04-2024	% change
Brent crude (US\$/bbl)	90.5	89.7	(0.8)
Gold (US\$/ Troy Ounce)	2,334.0	2,372.5	1.6
Copper (US\$/ MT)	9,240.5	9,209.9	(0.3)
Zinc (US\$/MT)	2,701.5	2,752.2	1.9
Aluminium (US\$/MT)	2,456.0	2,454.0	(0.1)

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

Chief Economist

Bank of Baroda

+91 22 6698 5143

chief.economist@bankofbaroda.com