

MORNING MOCHA

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ECONOMIST

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Fed Chair in his remarks pointed out that recent macro data reading has not 'materially changed' the interest rate picture. This has raised hopes amongst market participants that the base case of Jun'24 cut remains, whose probability was dialled down to some extent. To support this, recent ISM services reading in the US also showed some softening, recording 51.4 (est.: 52.8). Added to this, was far lower than expected reading of prices paid index at 53.4 (est.: 58.4). Thus, DXY moderated and global yields showed comfort. Elsewhere in Eurozone, inflation softened. ECB Governing Council member also spoke of rate cut in Jun'24. On commodity market, OPEC+ retained its output cut and the pressure was felt in crude prices to some extent. On domestic front, RBI policy remains key watchable.

- Global stocks ended broadly weaker. Investors assessed comments from Fed officials to ascertain the timing and magnitude of Fed rate cuts. US macro data was mixed with services PMI inching down and ADP employment report showing a robust increase in private payrolls. Stocks in Asia were lower led by a risk-off sentiment. Sensex ended marginally weaker, amidst sharp losses in real estate stocks. It is trading higher today in line with other Asian stocks.

Fig 1 – Stock markets

	02-04-2024	03-04-2024	% change
Dow Jones	39,170	39,127	(0.1)
S & P 500	5,206	5,211	0.1
FTSE	7,935	7,937	0
Nikkei	39,839	39,452	(1.0)
Hang Seng	16,932	16,725	(1.2)
Shanghai Comp	3,075	3,069	(0.2)
Sensex	73,904	73,877	0
Nifty	22,453	22,435	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. EUR and GBP gained against the dollar supported by views that the Fed remains on course to lower rates later in the year. DXY fell by 0.5%. Asian currencies however ended weaker. Higher oil prices weighed on the INR, pushing it to a fresh record low. It is trading further weaker today, while other Asian currencies are trading mostly higher.

Fig 2 – Currencies

	02-04-2024	03-04-2024	% change
EUR/USD (1 EUR / USD)	1.0770	1.0836	0.6
GBP/USD (1 GBP / USD)	1.2578	1.2652	0.6
USD/JPY (JPY / 1 USD)	151.56	151.70	(0.1)
USD/INR (INR / 1 USD)	83.38	83.43	(0.1)
USD/CNY (CNY / 1 USD)	7.2326	7.2332	0

Source: Bloomberg, Bank of Baroda Research



- Except Japan (higher), global yields closed lower. Fed Chair's remarks have supported the downward momentum. The impact was mostly felt in UK's 10Y yield, while in US and Germany, it broadly remained range bound. Japan's 10Y yield traded cautiously over the continued speculation surrounding currency intervention. India's 10Y yield fell a tad and it is trading at the same level today.

Fig 3 – Bond 10Y yield

	02-04-2024	03-04-2024	change in bps
US	4.35	4.35	0
UK	4.09	4.06	(3)
Germany	2.40	2.40	0
Japan	0.75	0.80	5
China	2.30	2.29	0
India	7.12	7.10	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	02-04-2024	03-04-2024	change in bps
Tbill-91 days	6.82	6.84	2
Tbill-182 days	6.98	7.00	2
Tbill-364 days	6.98	7.02	4
G-Sec 2Y	7.05	7.04	(2)
India OIS-2M	6.69	6.68	(1)
India OIS-9M	6.78	6.78	(0)
SONIA int rate benchmark	5.19	5.20	0
US SOFR	5.35	5.34	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	02-04-2024	03-04-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.4)	(1.6)	(0.2)
Reverse Repo	0	0.2	0.2
Repo	0.3	0.6	0.3

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	28-03-2024	01-04-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	849.0	65.6	(783.4)
Debt	566.5	119.3	(447.2)
Equity	282.5	(53.7)	(336.2)
Mutual funds (Rs cr)	(6,294.2)	494.6	6,788.9
Debt	(5,228.7)	(4.3)	5,224.4
Equity	(1,065.5)	499.0	1,564.5

Source: Bloomberg, Bank of Baroda Research

- Oil prices inched closer to US\$ 90/bbl mark, on expectations of tighter supply.

Fig 7 – Commodities

	02-04-2024	03-04-2024	% change
Brent crude (US\$/bbl)	88.9	89.4	0.5
Gold (US\$/ Troy Ounce)	2,280.7	2,300.0	0.8
Copper (US\$/ MT)	8,888.1	9,150.6	3.0
Zinc (US\$/MT)	2,431.1	2,500.0	2.8
Aluminium (US\$/MT)	2,380.0	2,429.0	2.1

Source: Bloomberg, Bank of Baroda Research



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