

MORNING MOCHA

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US labour market is showing signs of resilience with non-farm payrolls for Mar'24 at 303k, much higher than est.: 214k and 270k in Feb'24. Unemployment rate also inched down, to 3.8% in Mar'24 from 3.9%. Average hourly earnings rose by 0.3% (MoM) from 0.2% in Feb'24. This has pushed the probability of a rate cut by Fed in Jun'24 to 54% from 59% before the data was released. Sustained increase in wage growth, along with higher prices of commodities (oil, copper) may add to pressure on inflation. Added labour expenses is impacting the services sector in the US, as the ISM PMI moderated to 51.4 in Mar'24 from 52.6 in Feb'24. This was dragged by dip in new orders and imports. Domestically, RBI maintained status quo in its policy. Quarterly projections of GDP and inflation were changed, with growth now estimated to be higher and inflation projected to be lower in Q1FY25.

- Global stocks ended mixed as investors assessed the US jobs report. Hopes of a rate cut in Jun'24 diminished as payroll additions were higher than expected. Even so, stocks in US edged up, led by a rally in tech stocks. Nikkei fell sharply, as BoJ hinted at more rate hikes. Sensex ended marginally weaker after the RBI policy announcement. It is trading higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	04-04-2024	05-04-2024	Change, %
Dow Jones	38,597	38,904	0.8
S & P 500	5,147	5,204	1.1
FTSE	7,976	7,911	(0.8)
Nikkei	39,773	38,992	(2.0)
Hang Seng	16,725	16,724	0
Shanghai Comp	3,075	3,069	(0.2)
Sensex	74,228	74,248	0
Nifty	22,515	22,514	0

Source: Bloomberg, Bank of Baroda Research | Markets in China were closed from 4-5 Apr 2024

- Except INR, other global currencies ended weaker against the dollar. DXY rose by 0.2% as a stronger than expected jobs report in the US has once again jeopardized expectations of rate cuts. JPY depreciated the most by 0.2%, even as Japanese government cautioned against increased volatility in the exchange rate. INR is trading stronger today, while Asian peers are trading mixed.

Fig 2 – Currencies

	04-04-2024	05-04-2024	Change, %
EUR/USD (1 EUR / USD)	1.0837	1.0837	0
GBP/USD (1 GBP / USD)	1.2642	1.2638	0
USD/JPY (JPY / 1 USD)	151.34	151.62	(0.2)
USD/INR (INR / 1 USD)	83.45	83.29	0.2
USD/CNY (CNY / 1 USD)	7.2326	7.2332	0

Source: Bloomberg, Bank of Baroda Research | Markets in China were closed from 4-5 Apr 2024



- Global yields broadly closed higher as US labour market remains strong. US 10Y yield jumped the most, by 9bps, followed by UK and Germany. Odds of rate cut by Fed in Jun'24 have reduced to 54% from 59% earlier. Tracking global cues, rise in oil prices, and RBI's policy decision, India's 10Y yield rose by 3bps. It is trading further higher today, at 7.14%.

Fig 3 – Bond 10Y yield

	04-04-2024	05-04-2024	Change, bps
US	4.31	4.40	9
UK	4.02	4.07	5
Germany	2.36	2.40	4
Japan	0.79	0.79	0
China	2.30	2.29	0
India	7.09	7.12	3

Source: Bloomberg, Bank of Baroda Research| Markets in China were closed from 4-5 Apr 2024

Fig 4 – Short term rates

	04-04-2024	05-04-2024	change in bps
Tbill-91 days	6.84	6.80	(4)
Tbill-182 days	6.99	6.95	(4)
Tbill-364 days	7.01	7.00	(1)
G-Sec 2Y	7.01	7.04	3
India OIS-2M	6.68	6.70	2
India OIS-9M	6.75	6.78	3
SONIA int rate benchmark	5.20	5.19	0
US SOFR	5.32	5.32	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	04-04-2024	05-04-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.6)	(1.5)	0.1
Reverse Repo	0.8	0	(0.8)
Repo	0.3	0	(0.3)

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	03-04-2024	04-04-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(588.4)	(218.9)	369.5
Debt	(438.0)	(101.7)	336.3
Equity	(150.4)	(117.2)	33.3
Mutual funds (Rs cr)	1,368.8	3,852.2	2,483.4
Debt	(31.6)	3,774.6	3,806.3
Equity	1,400.4	77.6	(1,322.8)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual fund data as of 2 Apr and 3 Apr

- Oil rose by 0.6%, owing to supply side risks due to geo political tensions.

Fig 7 – Commodities

	04-04-2024	05-04-2024	% change
Brent crude (US\$/bbl)	90.7	91.2	0.6
Gold (US\$/ Troy Ounce)	2,290.9	2,329.8	1.7
Copper (US\$/ MT)	9,242.1	9,208.5	(0.4)
Zinc (US\$/MT)	2,601.8	2,600.6	0
Aluminium (US\$/MT)	2,444.5	2,450.5	0.2

Source: Bloomberg, Bank of Baroda Research



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