

MORNING MOCHA

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Risk aversion was visible in global markets with increased demand for safe-haven assets such as gold and dollar amidst tensions in Middle East. On macro front, US retail sales inched up by 0.7% in Mar'24 (est. 0.3%) from an upwardly revised 0.9% in Feb'24 (MoM). Continued strength in US economy is likely to delay Fed's easing cycle. In China, GDP growth was higher than expected at 5.3% (est. 4.6%), led by positive policy response. Separately, both industrial production and retail sales missed estimates to increase by 4.5% (est. 6%) and 3.1% (est. 4.1%), respectively in Mar'24. However, growth in fixed asset investment was robust at 4.5% in Q1CY24 (est. 4.1%). In India, IMD predicted an above normal monsoon for this year which bodes well for growth and inflation outlook. Domestic markets are expected to remain subdued as investors await more clarity on the conflict in Middle East.

- Except Shanghai Comp (higher), global stocks closed lower. Risk appetite of investors has fallen amidst rising geopolitical tensions. Apart from this, higher than expected retail sales print in the US raised doubts about the future course of action by Fed. Sensex fell by 1.1% dragged down by banking stocks. It is trading further lower today, in line with other Asian stocks which got impacted tracking China's patchy macro data points.

Fig 1 – Stock markets

	12-04-2024	15-04-2024	Change, %
Dow Jones	37,983	37,735	(0.7)
S & P 500	5,123	5,062	(1.2)
FTSE	7,996	7,966	(0.4)
Nikkei	39,524	39,233	(0.7)
Hang Seng	16,722	16,600	(0.7)
Shanghai Comp	3,019	3,057	1.3
Sensex	74,245	73,400	(1.1)
Nifty	22,519	22,273	(1.1)

Source: Bloomberg, Bank of Baroda Research

- Global currencies depreciated. DXY hovered near a 6-month high after US retail sales rose more than expected. JPY depreciated by 0.7%, to its weakest since Jun'90. INR depreciated to a record low amidst concerns over Middle East crisis. It is trading further weaker today, in line with other Asian currencies.

Fig 2 – Currencies

	12-04-2024	15-04-2024	Change, %
EUR/USD (1 EUR / USD)	1.0643	1.0624	(0.2)
GBP/USD (1 GBP / USD)	1.2452	1.2446	0
USD/JPY (JPY / 1 USD)	153.23	154.28	(0.7)
USD/INR (INR / 1 USD)	83.42	83.45	0
USD/CNY (CNY / 1 USD)	7.2373	7.2381	0

Source: Bloomberg, Bank of Baroda Research



- Except China and India (stable), global yields broadly closed higher. UK's 10Y yield rose at the sharpest pace ahead of BoE Governor's speech. This was followed by US and UK's 10Y yield. San Francisco Fed President spoke of no urgency to rate cut. Retail sales data of US also reflected the same. India's 10Y yield is trading a tad higher at 7.19% today.

Fig 3 – Bond 10Y yield

	12-04-2024	15-04-2024	Change, bps
US	4.52	4.60	8
UK	4.14	4.24	10
Germany	2.36	2.44	8
Japan	0.86	0.86	1
China	2.28	2.28	0
India	7.18	7.18	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	12-04-2024	15-04-2024	change in bps
Tbill-91 days	6.84	6.82	(2)
Tbill-182 days	7.00	7.00	0
Tbill-364 days	7.02	7.02	0
G-Sec 2Y	7.11	7.09	(1)
India OIS-2M	6.72	6.72	0
India OIS-9M	6.83	6.83	0
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	12-04-2024	15-04-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.8)	(1.0)	(0.2)
Reverse Repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	10-04-2024	12-04-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	553.6	(1,163.9)	(1,717.5)
Debt	165.4	(211.8)	(377.2)
Equity	388.2	(952.1)	(1,340.2)
Mutual funds (Rs cr)	2,385.7	7,056.1	4,670.3
Debt	24.5	6,590.3	6,565.8
Equity	2,361.2	465.8	(1,895.4)

Source: Bloomberg, Bank of Baroda Research

- Oil prices were broadly steady as investors assessed the Middle East situation.

Fig 7 – Commodities

	12-04-2024	15-04-2024	% change
Brent crude (US\$/bbl)	90.5	90.1	(0.4)
Gold (US\$/ Troy Ounce)	2,344.4	2,383.3	1.7
Copper (US\$/ MT)	9,333.2	9,499.5	1.8
Zinc (US\$/MT)	2,833.0	2,754.6	(2.8)
Aluminium (US\$/MT)	2,494.0	2,555.0	2.4

Source: Bloomberg, Bank of Baroda Research



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