

MORNING MOCHA

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Recently comments by fed officials have made a case for divided house as far as the interest rate cuts is expected in Jun'24. Fed official, Waller made a case of postponing rate cuts than was initially anticipated (in Jun'24). Fed Chair Powell, noted that Fed is not getting tolerant to higher inflation and hinted rate cuts very much remain on table. Recently, PCE index (Fed's preferred gauge of inflation) rose by 2.5% in line with expectations with core PCE at 2.8%. On a monthly basis, headline PCE moderated to 0.3% in Feb'24 (0.5% in Jan'24). Additionally, US GDP slowed down to 3.4% in Q4CY24 (4.9% in Q3). Separately, in Europe, Germany's employment levels edged up along with improvement in retail sales.

- Global stock indices ended higher. FTSE ended in green despite poor macro data confirming the economy had actually slipped into recession in CY23 (-0.3% in Q4). Amongst US indices, S&P500 in Q1CY24 performed the best in over 5-years. Sensex climbed up by 0.9% led by gains in power and cap goods stocks. It is trading higher today while other Asian indices are trading mixed.

Fig 1 – Stock markets

	27-03-2024	28-03-2024	% change
Dow Jones	39,760	39,807	0.1
S & P 500	5,248	5,254	0.1
FTSE	7,932	7,953	0.3
Nikkei	40,168	40,369	0.5
Hang Seng	16,393	16,541	0.9
Shanghai Comp	3,011	3,041	1.0
Sensex	72,996	73,651	0.9
Nifty	22,124	22,327	0.9

Source: Bloomberg, Bank of Baroda Research | Note: Global markets were closed on 29.3.24

- Global currencies closed mixed against US\$. DXY gained by 0.2% amidst comments by Fed officials. Investors will monitor the crucial PCE data to gauge the future path of the Fed's rate cycle. JPY ended flat as it inched close to the 152 mark, and this might propel some government intervention. Asian currencies are trading mixed today.

Fig 2 – Currencies

	27-03-2024	28-03-2024	% change
EUR/USD (1 EUR / USD)	1.0828	1.0789	(0.4)
GBP/USD (1 GBP / USD)	1.2640	1.2624	(0.1)
USD/JPY (JPY / 1 USD)	151.33	151.38	0
USD/INR (INR / 1 USD)	83.38	83.40	0
USD/CNY (CNY / 1 USD)	7.2260	7.2267	0

Source: Bloomberg, Bank of Baroda Research | Note: Global markets were closed on 29.3.24

- Global 10Y yields ended mixed. Yields in US, Germany and China inched up by 1bps each. Fed official Waller, noted given the disappointing inflation print, Fed



might have to delay rate cuts. Investors have already priced in a 64% chance of rate cut in Jun'24. India's 10Y yield softened by 1bps.

Fig 3 – Bond 10Y yield

	27-03-2024	28-03-2024	change in bps
US	4.19	4.20	1
UK	3.93	3.93	0
Germany	2.29	2.30	1
Japan	0.73	0.71	(1)
China	2.30	2.31	1
India	7.07	7.06	(1)

Source: Bloomberg, Bank of Baroda Research | Note: Global markets were closed on 29.3.24

Fig 4 – Short term rates

	27-03-2024	28-03-2024	change in bps
Tbill-91 days	6.98	6.90	(8)
Tbill-182 days	7.13	7.04	(9)
Tbill-364 days	7.08	6.99	(9)
G-Sec 2Y	7.06	7.03	(3)
India OIS-2M	6.76	6.72	(4)
India OIS-9M	6.76	6.75	(1)
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.32	5.33	1

Source: Bloomberg, Bank of Baroda Research | Note: Global markets were closed on 29.3.24

Fig 5 – Liquidity

Rs tn	27-03-2024	28-03-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.4	0.7	0.3
Reverse repo	0	0	0
Repo	0.3	1.0	0.7

Source: RBI, Bank of Baroda Research | Note: Global markets were closed on 29.3.24

Fig 6 – Capital market flows

	26-03-2024	27-03-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(82.6)	658.1	740.7
Debt	297.8	173.0	(124.8)
Equity	(380.4)	485.1	865.5
Mutual funds (Rs cr)	(1,163.8)	6,195.1	7,358.9
Debt	(2,593.5)	263.8	2,857.3
Equity	1,429.7	5,931.3	4,501.6

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 20 Mar 2024 and 21 Mar 2024

- Oil prices rose by 1.6%, amidst greater prospects of higher supplies.

Fig 7 – Commodities

	27-03-2024	18-03-2024	% change
Brent crude (US\$/bbl)	86.1	87.5	1.6
Gold (US\$/ Troy Ounce)	2,194.8	2,229.9	1.6
Copper (US\$/ MT)	8,744.4	8,766.5	0.3
Zinc (US\$/MT)	2,392.4	2,394.1	0.1
Aluminium (US\$/MT)	2,298.5	2,337.0	1.7

Source: Bloomberg, Bank of Baroda Research | Note: Global markets were closed on 29.3.24



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