

MORNING MOCHA

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ECONOMIST

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In the data heavy week, markets traded cautiously. Amongst major macro prints, in the US, JOLTS job openings rose by 8,756K (est.: 8,730K). Factory orders of the region also rose more than expected by 1.4% (est.: 1%) in Feb'24. Two Fed officials (San Francisco and Cleveland Fed President) spoke of easing albeit no rush to lowering borrowing cost. Swap traders have also pared down expectations of their earlier quantum of rate cuts. Elsewhere, in UK, manufacturing PMI entered expansion recording 50.3 (est.: 49.9). In Germany, CPI moderated. In China, Caixin services PMI inched up to 52.7 from 52.5, supported by fastest pace of increase in new business in the last three months. On domestic front, India's manufacturing PMI rose to its 16 year high supported by buoyant production and sales.

- Barring Nikkei and Hang Seng, other global indices ended in red. Strong macro data from US has led to speculation of a delay in Fed rate cut cycle. This view was also reinforced by an uptick in global commodity prices. Stocks in US fell the most, with investors awaiting comments from Fed Chair. Despite a strong pickup in manufacturing PMI, Sensex fell by 0.1%. Technology shares led the decline. It is trading further weaker today, following its Asian peers.

Fig 1 – Stock markets

	01-04-2024	02-04-2024	% change
Dow Jones	39,567	39,170	(1.0)
S & P 500	5,244	5,206	(0.7)
FTSE	7,953	7,935	(0.2)
Nikkei	39,803	39,839	0.1
Hang Seng	16,541	16,932	2.4
Shanghai Comp	3,077	3,075	(0.1)
Sensex	74,015	73,904	(0.1)
Nifty	22,462	22,453	(0.0)

Source: Bloomberg, Bank of Baroda Research

- Except CNY, other currencies appreciated broadly against the dollar. DXY fell by 0.2% despite stronger than expected macro data (job opening and factory orders). Investors await comments from Fed Chair later in the day. EUR gained even as manufacturing PMI slipped further to 46.1 from 46.5 in Feb'24. INR is trading at similar levels today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	01-04-2024	02-04-2024	% change
EUR/USD (1 EUR / USD)	1.0743	1.0770	0.3
GBP/USD (1 GBP / USD)	1.2552	1.2578	0.2
USD/JPY (JPY / 1 USD)	151.65	151.56	0.1
USD/INR (INR / 1 USD)	83.40	83.38	0.0
USD/CNY (CNY / 1 USD)	7.2308	7.2326	(0.0)

Source: Bloomberg, Bank of Baroda Research



- Except China (tad lower), global yields closed higher. Germany and UK's 10Y yield rose the most. In Germany, even a moderation in CPI and inflation expectation data of Eurozone could not arrest the increase in yields. 10Y yield in the US also rose tracking macro data. India's 10Y yield also inched up monitoring higher crude prices. It is trading at 7.11% today.

Fig 3 – Bond 10Y yield

	01-04-2024	02-04-2024	change in bps
US	4.31	4.35	4
UK	3.93	4.09	15
Germany	2.30	2.40	10
Japan	0.74	0.75	1
China	2.31	2.30	(1)
India	7.06	7.12	6

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	01-04-2024	02-04-2024	change in bps
Tbill-91 days	6.90	6.82	(8)
Tbill-182 days	7.04	6.98	(6)
Tbill-364 days	6.99	6.98	(1)
G-Sec 2Y	7.03	7.05	2
India OIS-2M	6.72	6.69	(3)
India OIS-9M	6.75	6.78	3
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.34	5.35	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	01-04-2024	02-04-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.8)	(1.4)	(0.6)
Reverse Repo	0	0	0
Repo	1.0	0.3	(0.7)

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	27-03-2024	28-03-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	658.1	849.0	190.9
Debt	173.0	566.5	393.5
Equity	485.1	282.5	(202.7)
Mutual funds (Rs cr)	(7,335.0)	(112.2)	7,222.8
Debt	(9,361.7)	66.6	9,428.3
Equity	2,026.7	(178.8)	(2,205.5)

Source: Bloomberg, Bank of Baroda Research

- Oil prices rose to near 5-month high as Russia-Ukraine tensions escalated.

Fig 7 – Commodities

	01-04-2024	02-04-2024	% change
Brent crude (US\$/bbl)	87.4	88.9	1.7
Gold (US\$/ Troy Ounce)	2,251.4	2,280.7	1.3
Copper (US\$/ MT)	8,766.5	8,888.1	1.4
Zinc (US\$/MT)	2,394.1	2,431.1	1.5
Aluminium (US\$/MT)	2,337.0	2,380.0	1.8

Source: Bloomberg, Bank of Baroda Research



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