

## MORNING MOCHA

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ECONOMIST

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US labour market data showed persistent tightening. Jobless claims rose less than expected by 208K (est.: 211K). Unit labour cost has risen the most in a year in Q1CY24. What could be understood from the data is that considerable tightness would pose upward risk to wages and hence inflationary pressure cannot be ruled out in totality. Thus, cautious/wait and watch mode of Fed w.r.t. future policy action would prevail. Elsewhere, ECB official also confirmed that approach should be data dependent and refrained from pre-committing to rate path. As per latest OECD report, India's buoyant growth rate will be driven by robust government capex. India's PMI recorded the second fastest improvement. More importantly, inventories rose to near record level to support growing demand, as highlighted in the report.

- Global stocks ended broadly higher. Hang Seng rose the most by 2.5% led by gains in technology and property sectors. US indices rose supported by better-than-expected earnings results. Tech stocks led the gains. Investors keenly await the US jobs report due later in the day to assess the Fed's rate path. Sensex rose by 0.2%, led by gains in power and oil & gas stocks. It is trading further higher today, in line with other Asian stocks.

**Fig 1 – Stock markets**

	1-05-2024	2-05-2024	Change, %
Dow Jones	37,903	38,226	0.9
S & P 500	5,018	5,064	0.9
FTSE	8,121	8,172	0.6
Nikkei	38,274	38,236	(0.1)
Hang Seng	17,763	18,207	2.5
Shanghai Comp	3,113	3,105	(0.3)
Sensex	74,483	74,611	0.2
Nifty	22,605	22,648	0.2

Source: Bloomberg, Bank of Baroda Research, Markets in India, China and Hon Kong were closed on 1 May 2024

- Global currencies ended mixed. All eyes remained on JPY which strengthened by another 0.6%, amidst signs of suspected intervention. DXY was 0.4% lower as investors await the payroll data. INR hovered near its record low amidst a slowdown in FPI inflows. However, it is trading stronger today, in line with other Asian currencies.

**Fig 2 – Currencies**

	1-05-2024	2-05-2024	Change, %
EUR/USD (1 EUR / USD)	1.0712	1.0725	0.1
GBP/USD (1 GBP / USD)	1.2527	1.2534	0.1
USD/JPY (JPY / 1 USD)	154.57	153.64	0.6
USD/INR (INR / 1 USD)	83.44	83.47	0
USD/CNY (CNY / 1 USD)	7.2290	7.2411	(0.2)

Source: Bloomberg, Bank of Baroda Research, Markets in India, China and Hon Kong were closed on 1 May 2024



- Except Japan (a tad higher), global yields closed lower. UK's 10Y fell at the sharpest pace by 8bps as OECD report reflected some concerns on growth of the region. Even US and Germany's 10Y yield have fallen, as Fed Chair's commentary reflected some easing of monetary policy. India's 10Y yield fell by 3bps, taking global cues. It is trading at the same level today.

**Fig 3 – Bond 10Y yield**

	1-05-2024	2-05-2024	Change, bps
US	4.63	4.58	(5)
UK	4.37	4.29	(8)
Germany	2.58	2.54	(4)
Japan	0.89	0.90	1
China	2.36	2.31	(4)
India	7.19	7.16	(3)

Source: Bloomberg, Bank of Baroda Research, Markets in India, China and Hon Kong were closed on 1 May 2024

**Fig 4 – Short term rates**

	1-05-2024	2-05-2024	change in bps
Tbill-91 days	6.98	6.99	1
Tbill-182 days	7.01	7.03	2
Tbill-364 days	7.06	7.07	1
G-Sec 2Y	7.14	7.12	(2)
India OIS-2M	6.76	6.74	(1)
India OIS-9M	6.85	6.83	(2)
SONIA int rate benchmark	5.20	5.20	0
US SOFR	5.34	5.32	(2)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	1-05-2024	2-05-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.0	0.8	(0.2)
Reverse Repo	0	0	0
Repo	1.7	1.7	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	29-04-2024	30-04-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(47.7)	189.5	237.2
Debt	(48.4)	(32.1)	16.2
Equity	0.7	221.6	221.0
Mutual funds (Rs cr)	2,436.8	(1,435.8)	(3,872.6)
Debt	(2,111.3)	(2,818.0)	(706.7)
Equity	4,548.1	1,382.3	(3,165.9)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 26 Apr and 29 Apr 2024

- Oil prices rose marginally amidst a softer dollar.

**Fig 7 – Commodities**

	1-05-2024	2-05-2024	% change
Brent crude (US\$/bbl)	83.4	83.7	0.3
Gold (US\$/ Troy Ounce)	2,319.6	2,303.8	(0.7)
Copper (US\$/ MT)	9,782.4	9,642.5	(1.4)
Zinc (US\$/MT)	2,866.1	2,860.3	(0.2)
Aluminium (US\$/MT)	2,577.5	2,528.0	(1.9)

Source: Bloomberg, Bank of Baroda Research



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