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Global markets remained cautious ahead of release of US CPI inflation data, which is expected to shed some light on the trajectory of Fed fund rate. However, some paring down of expectations is occurring with regard to the pace of normalisation in Fed policy. Even there are talks that rate cut may be pushed beyond Mar'24. On macro front, US Consumer credit data has picked up. In Germany, industrial production has fallen on a MoM basis. In Japan, real cash earnings have fallen at a sharper pace, raising hopes that the exit from ultra-dovish policy by BoJ may be delayed. In Australia, CPI slowed for the 2nd straight month, raising expectations that RBA may leave policy rate unchanged. In South Korea, unemployment rate rose to its near two year high as elevated rates have started impacting real economy. On domestic front, all eyes remain on IIP and CPI data releases.

- Global stocks ended mixed. Focus remained on US inflation report due later this week, which would help ascertain the future course of rates. Dow Jones slipped the most. On the other hand, Nikkei surged to its highest since Mar'90. Sensex ended flat as gains in real estate and power stocks were offset by losses in banking stocks. It is trading lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	8-01-2024	9-01-2024	% change
Dow Jones	37,683	37,525	(0.4)
S & P 500	4,764	4,757	(0.1)
FTSE	7,694	7,684	(0.1)
Nikkei	33,377	33,763	1.2
Hang Seng	16,224	16,190	(0.2)
Shanghai Comp	2,888	2,893	0.2
Sensex	71,355	71,386	0
Nifty	21,513	21,545	0.1

Source: Bloomberg, Bank of Baroda Research

- Except INR, other global currencies depreciated. DXY rose by 0.4% ahead of US inflation data. EUR fell by 0.2% tracking a fall in Germany's industrial production. JPY fell by 0.2% as BOJ's ultra-dovish policy stance is expected to be maintained, amidst moderating inflation. INR appreciated a tad. However, it is trading weaker today while other Asian currencies are trading mixed.

Fig 2 – Currencies

	8-01-2024	9-01-2024	% change
EUR/USD (1 EUR / USD)	1.0950	1.0931	(0.2)
GBP/USD (1 GBP / USD)	1.2748	1.2710	(0.3)
USD/JPY (JPY / 1 USD)	144.23	144.48	(0.2)
USD/INR (INR / 1 USD)	83.14	83.12	0
USD/CNY (CNY / 1 USD)	7.1514	7.1687	(0.2)

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. Germany and UK's 10Y yield rose by 5bps and 1bps each amidst reports of higher supply in the market in the coming days. US, Japan and China's 10Y yield has fallen by 2bps each. Some delayed start of US rate cut cycle is now the undertone of the market. India's 10Y yield also fell a tad. It is trading at the same level today.

Fig 3 – Bond 10Y yield

	8-01-2024	9-01-2024	change in bps
US	4.03	4.01	(2)
UK	3.77	3.78	1
Germany	2.14	2.19	5
Japan	0.61	0.59	(2)
China	2.52	2.50	(2)
India	7.20	7.19	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	8-01-2024	9-01-2024	change in bps
Tbill-91 days	6.94	6.95	1
Tbill-182 days	7.10	7.11	1
Tbill-364 days	7.12	7.13	1
G-Sec 2Y	7.06	7.04	(2)
India OIS-2M	6.78	6.79	1
India OIS-9M	6.69	6.69	0
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.31	5.31	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	8-01-2024	9-01-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.6	1.6	0
Reverse repo	0	0	0
Repo	1.0	1.0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	5-01-2024	8-01-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	412.9	46.0	(366.9)
Debt	200.2	11.7	(188.5)
Equity	212.7	34.3	(178.4)
Mutual funds (Rs cr)	(3,746.6)	1,628.4	5,375.0
Debt	(861.3)	825.8	1,687.1
Equity	(2,885.4)	802.6	3,687.9

Source: Bloomberg, Bank of Baroda Research

- Oil prices inched up amidst reports of contraction in US stockpiles.

Fig 7 – Commodities

	8-01-2024	9-01-2024	% change
Brent crude (US\$/bbl)	76.1	77.6	1.9
Gold (US\$/ Troy Ounce)	2,028.1	2,030.2	0.1
Copper (US\$/ MT)	8,339.7	8,263.4	(0.9)
Zinc (US\$/MT)	2,482.5	2,478.8	(0.2)
Aluminium (US\$/MT)	2,236.5	2,249.5	0.6

Source: Bloomberg, Bank of Baroda Research



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