

MORNING MOCHA

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ECONOMIST
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Amongst major equity indices, rally in Nikkei continued and it headed towards a fresh 3 decade high. Muted wage data of the region further supported the view that normalisation in its policy is likely to be delayed. In the US, New York Fed President has spoken of current policy being sufficiently restrictive to bring down inflation. However, he cautioned about more evidence for the same. Traders globally have dialled back their previous expectation of a faster pace of rate cut. The upcoming CPI data in the US will provide fresh cues, where CPI and core CPI is expected to rise sequentially by 0.2 and 0.3%, respectively. Elsewhere, ECB policy makers hinted at economic outlook being weak. Thus even ECB's cycle might be delayed. On domestic front, short end yields as seen in Tbill auction inched up slightly based on liquidity conditions, while buying support for long part of the curve remained.

- Global markets ended mixed. Stocks in US advanced as investors await US CPI and PPI report. Focus also remained on the start of earnings season. Nikkei continued its rally and surged by 2% to a 34-year high. Shanghai Comp and Hang Seng however, fell. Sensex rose by 0.4% led by gains in consumer durables stocks. It is trading further higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	9-01-2024	10-01-2024	% change
Dow Jones	37,525	37,696	0.5
S & P 500	4,757	4,783	0.6
FTSE	7,684	7,652	(0.4)
Nikkei	33,763	34,442	2.0
Hang Seng	16,190	16,097	(0.6)
Shanghai Comp	2,893	2,878	(0.5)
Sensex	71,386	71,658	0.4
Nifty	21,545	21,619	0.3

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed as focus remained on US inflation data. DXY was 0.2% lower. On the other hand, EUR was up by 0.4% as France's industrial production rose more than expected in Nov'23. JPY depreciated by 0.9% amidst a further decline in real wages. INR got support from lower oil prices. It is trading further stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	9-01-2024	10-01-2024	% change
EUR/USD (1 EUR / USD)	1.0931	1.0973	0.4
GBP/USD (1 GBP / USD)	1.2710	1.2742	0.3
USD/JPY (JPY / 1 USD)	144.48	145.76	(0.9)
USD/INR (INR / 1 USD)	83.12	83.04	0.1
USD/CNY (CNY / 1 USD)	7.1687	7.1727	(0.1)

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. 10Y yields in UK, Germany and US inched up ahead of CPI data release in the US. The rise in UK's 10Y yield was the most despite BoE Governor hinting at lower mortgage rates in the near term. Japan's 10Y yield fell a tad post muted wage data. India's 10Y yield also fell by 1bps. It is trading at 7.19% today.

Fig 3 – Bond 10Y yield

	9-01-2024	10-01-2024	change in bps
US	4.01	4.03	1
UK	3.78	3.82	4
Germany	2.19	2.21	2
Japan	0.59	0.59	(1)
China	2.50	2.49	0
India	7.19	7.18	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	9-01-2024	10-01-2024	change in bps
Tbill-91 days	6.95	6.92	(3)
Tbill-182 days	7.11	7.15	4
Tbill-364 days	7.13	7.13	0
G-Sec 2Y	7.04	7.03	(1)
India OIS-2M	6.79	6.79	0
India OIS-9M	6.69	6.68	(1)
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	9-01-2024	10-01-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.6	1.9	0.3
Reverse repo	0	0	0
Repo	1.0	1.0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	8-01-2024	9-01-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	46.0	108.8	62.8
Debt	11.7	173.4	161.7
Equity	34.3	(64.6)	(98.9)
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, Mutual fund data as of 5th and 8th Jan

- Oil prices fell by 1% amidst a surprise increase in US stockpiles.

Fig 7 – Commodities

	9-01-2024	10-01-2024	% change
Brent crude (US\$/bbl)	77.6	76.8	(1.0)
Gold (US\$/ Troy Ounce)	2,030.2	2,024.4	(0.3)
Copper (US\$/ MT)	8,263.4	8,269.0	0.1
Zinc (US\$/MT)	2,478.8	2,469.5	(0.4)
Aluminium (US\$/MT)	2,249.5	2,232.5	(0.8)

Source: Bloomberg, Bank of Baroda Research



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