

MORNING MOCHA

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US non-farm payroll rose more than expected by 275,000 in Feb'24 (est. 200,000) from 167,000 in Jan'24. Even so, unemployment rate rose to a 2-year high of 3.9% from 3.7% in Jan'24. Average hourly earnings moderated to 0.1% (MoM) from 0.5% in Jan'24, suggesting some softness in the labour market. This has pushed forward the possibility of the first rate cut in Jun'24. Separately, Japan revised its Q4CY23 GDP upwards to 0.4% (YoY) versus a contraction of 0.4% estimated earlier. CPI inflation in China inched up for the first time since Aug'23 and rose by 0.7% in Feb'24 (est. 0.3%). However, PPI continued to fall and contracted by 2.7% versus a decline of 2.5% in Jan'24. In India, government announced a cut in cooking gas prices and also extended the subsidy under Ujjwala scheme till FY25. This should help in further easing domestic inflation. Fiscal impact is likely to be limited.

- Global stocks closed mixed. US stocks moderated as jobs data gave mixed signals about trajectory of Fed fund rate. Hang Seng and Shanghai Comp inched up. The rise in Nikkei was pared to some extent following anticipation about a likely pivot by BoJ. Sensex was marginally higher, led by metal and capital goods stocks. It is trading lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	07-03-2024	08-03-2024	% change
Dow Jones	38,791	38,723	(0.2)
S & P 500	5,157	5,124	(0.7)
FTSE	7,692	7,660	(0.4)
Nikkei	39,599	39,689	0.2
Hang Seng	16,230	16,353	0.8
Shanghai Comp	3,027	3,046	0.6
Sensex	74,086	74,119	0
Nifty	22,474	22,494	0.1

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 8 March 2024

- Except EUR (lower), other global currencies ended stronger against the dollar. DXY was 0.1% lower after a mixed jobs report. JPY gained the most by 0.7% amidst increased expectations of a hawkish pivot by BoJ. GBP too gained 0.4%, amidst expectations of a delayed start to BoE's rate cut cycle. INR is trading stronger today in line with other Asian currencies.

Fig 2 – Currencies

	07-03-2024	08-03-2024	% change
EUR/USD (1 EUR / USD)	1.0948	1.0939	(0.1)
GBP/USD (1 GBP / USD)	1.2809	1.2858	0.4
USD/JPY (JPY / 1 USD)	148.05	147.06	0.7
USD/INR (INR / 1 USD)	82.83	82.79	0.1
USD/CNY (CNY / 1 USD)	7.1926	7.1873	0.1

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 8 March 2024



- Except Japan and China (stable), global yields closed lower. Germany's 10Y yield fell the most as ECB hinted at cautiously prepping up for an easing cycle. The fall in UK's 10Y yield was clipped to certain extent as investors are pricing in a slower start to the rate cut cycle by BoE. India's 10Y yield fell by 2bps tracking improvement in liquidity situation. It is trading at 7.01% today.

Fig 3 – Bond 10Y yield

	07-03-2024	08-03-2024	change in bps
US	4.08	4.07	(1)
UK	4.00	3.98	(2)
Germany	2.31	2.27	(4)
Japan	0.73	0.74	0
China	2.29	2.29	0
India	7.06	7.03	(2)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 8 March 2024

Fig 4 – Short term rates

	07-03-2024	08-03-2024	change in bps
Tbill-91 days	6.89	6.90	1
Tbill-182 days	7.14	7.13	(1)
Tbill-364 days	7.10	7.08	(2)
G-Sec 2Y	7.03	7.03	0
India OIS-2M	6.77	6.77	0
India OIS-9M	6.72	6.72	0
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.31	5.31	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 8 March 2024

Fig 5 – Liquidity

Rs tn	06-03-2024	07-03-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.5)	(0.2)	0.3
Reverse Repo	0	0	0
Repo	1.2	0.5	(0.7)

Source: RBI, Bank of Baroda Research | Note: Markets in India were closed on 8 March 2024

Fig 6 – Capital market flows

	05-03-2024	06-03-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	69.5	962.1	892.6
Debt	96.2	276.4	180.3
Equity	(26.7)	685.6	712.3
Mutual funds (Rs cr)	3,466.3	(1,124.6)	(4,590.9)
Debt	249.6	(2,774.7)	(3,024.3)
Equity	3,216.7	1,650.1	(1,566.6)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 8 March 2024

- Oil prices fell by 1.1% as worries persist over weakening demand conditions.

Fig 7 – Commodities

	07-03-2024	08-03-2024	% change
Brent crude (US\$/bbl)	83.0	82.1	(1.1)
Gold (US\$/ Troy Ounce)	2,160.0	2,179.0	0.9
Copper (US\$/ MT)	8,546.5	8,487.3	(0.7)
Zinc (US\$/MT)	2,498.5	2,492.3	(0.3)
Aluminium (US\$/MT)	2,253.0	2,240.0	(0.6)

Source: Bloomberg, Bank of Baroda Research



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