

MORNING MOCHA

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ECONOMIST
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Global markets tracked a host of macro and geopolitical developments. In the US, CPI data rose more than anticipated by 0.3%, on MoM basis (est.: 0.2%). Core CPI remained firm at 0.3%. The sequential inching up of CPI is attributable to rise in shelter and energy prices. US jobless claims rose less than expected by 202K (est.:210k), signalling some tightness. Thus uncertainty continue to reign in over the timing of normalisation of Fed policy. Fed officials (Thomas Barkin and Loretta Mester) also spoke of requiring further clarity. In China, CPI fell for the 3rd straight month and PPI continued to remain in deflation, reigniting concerns of weaker demand. Geopolitical turmoil got flared up with US and allies launching airstrikes in Yemen. Crude prices reacted to the same. On domestic front, IIP and CPI numbers are awaited. Any CPI print on the downside will further comfort domestic yields.

- Except FTSE and S&P 500, other global stocks ended in green, with Asian stocks leading the rally. Investors assessed the US CPI print which was higher than expectations. Fed's Mester however, stated that a rate cut in Mar'24 would be too early. This has led to uncertainty over future Fed rates. Sensex rose by 0.1%, led by gains in auto and oil and gas stocks. It is trading further higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	10-01-2024	11-01-2024	% change
Dow Jones	37,696	37,711	0
S & P 500	4,783	4,780	(0.1)
FTSE	7,652	7,577	(1.0)
Nikkei	34,442	35,050	1.8
Hang Seng	16,097	16,302	1.3
Shanghai Comp	2,878	2,887	0.3
Sensex	71,658	71,721	0.1
Nifty	21,619	21,647	0.1

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed broadly higher against the dollar. DXY fell by 0.1% despite a higher than expected inflation reading. JPY gained the most and rose by 0.3%. INR appreciated a tad and inched towards a 1-month high. However, it is trading weaker today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	10-01-2024	11-01-2024	% change
EUR/USD (1 EUR / USD)	1.0973	1.0972	(0.0)
GBP/USD (1 GBP / USD)	1.2742	1.2760	0.1
USD/JPY (JPY / 1 USD)	145.76	145.29	0.3
USD/INR (INR / 1 USD)	83.04	83.03	0
USD/CNY (CNY / 1 USD)	7.1727	7.1667	0.1

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. US10Y yield fell by 6bps despite slightly discomfoting macro prints wrt. inflation and labour market conditions. However, yields of other economies reacted to the same (UK, Germany). ECB President also hinted at cautious approach with regard to battling inflation. India's 10Y yield fell by 2bps. It is trading lower at 7.16% today.

Fig 3 – Bond 10Y yield

	10-01-2024	11-01-2024	change in bps
US	4.03	3.97	(6)
UK	3.82	3.84	2
Germany	2.21	2.24	2
Japan	0.59	0.60	2
China	2.49	2.50	1
India	7.18	7.16	(2)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	10-01-2024	11-01-2024	change in bps
Tbill-91 days	6.92	6.93	1
Tbill-182 days	7.15	7.11	(4)
Tbill-364 days	7.13	7.13	-
G-Sec 2Y	7.03	7.03	(0)
India OIS-2M	6.79	6.79	-
India OIS-9M	6.68	6.69	1
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.31	5.31	-

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	10-01-2024	11-01-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.9	1.6	(0.3)
Reverse repo	0	0	0
Repo	1.0	1.0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	9-01-2024	10-01-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	108.8	(221.9)	(330.7)
Debt	173.4	(23.3)	(196.7)
Equity	(64.6)	(198.5)	(133.9)
Mutual funds (Rs cr)	884.5	3,028.1	2,143.6
Debt	986.0	796.8	(189.2)
Equity	(101.5)	2,231.3	2,332.8

Source: Bloomberg, Bank of Baroda Research

- Oil prices rose by 0.8% as tensions in Middle-East escalated.

Fig 7 – Commodities

	10-01-2024	11-01-2024	% change
Brent crude (US\$/bbl)	76.8	77.4	0.8
Gold (US\$/ Troy Ounce)	2,024.4	2,028.9	0.2
Copper (US\$/ MT)	8,269.0	8,262.2	(0.1)
Zinc (US\$/MT)	2,469.5	2,481.3	0.5
Aluminium (US\$/MT)	2,232.5	2,235.0	0.1

Source: Bloomberg, Bank of Baroda Research



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