

MORNING MOCHA

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Global markets remained muted awaiting the crucial US inflation report, which is likely to determine the trajectory of Fed rates going forward. US CPI is expected to increase by 0.4% in Feb'24 on a MoM basis, up from 0.3% in Jan'24. Any negative surprises on the inflation front is likely to delay the start of the rate cut cycle which is widely expected to begin in Jun'24. Separately, PPI inflation in Japan rose more than expected by 0.2% (MoM) in Feb'24 (est. 0.1%), compared with a flat reading in Jan'24. This has further reinforced views that the BoJ may soon ease its ultra-dovish policy in the face of rising price pressures. In India, focus remains on CPI and IIP data due later in the day. We expect CPI to remain steady at 5.1% in Feb'24, while IIP is expected to decelerate further to 3.5% in Jan'24 from 3.8% in Dec'23.

- Global stocks closed mixed. Investors remained cautious in the data heavy week. Some stickiness is expected to prevail in US CPI numbers. Elsewhere, investors are awaiting a likely pivot from BoJ tracking its Governor's comments and ahead of spring wage negotiations. Nikkei moderated, while Hang Seng and Shanghai Comp inched up. Sensex edged down, led by losses in banking stocks. It is trading higher today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	08-03-2024	11-03-2024	% change
Dow Jones	38,723	38,770	0.1
S & P 500	5,124	5,118	(0.1)
FTSE	7,660	7,669	0.1
Nikkei	39,689	38,820	(2.2)
Hang Seng	16,353	16,588	1.4
Shanghai Comp	3,046	3,068	0.7
Sensex	74,119	73,503	(0.8)
Nifty	22,494	22,333	(0.7)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. After falling for 6-straight sessions, DXY recouped some of its losses ahead of US CPI report due later today. GBP and EUR were lower. On the other hand, JPY strengthened further on expectations of a pivot by BoJ. INR traded near a 6-month high supported by buoyant FPI inflows. It is trading further stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	08-03-2024	11-03-2024	% change
EUR/USD (1 EUR / USD)	1.0939	1.0926	(0.1)
GBP/USD (1 GBP / USD)	1.2858	1.2814	(0.3)
USD/JPY (JPY / 1 USD)	147.06	146.95	0.1
USD/INR (INR / 1 USD)	82.79	82.77	0
USD/CNY (CNY / 1 USD)	7.1873	7.1814	0.1

Source: Bloomberg, Bank of Baroda Research



- Except UK (stable) and India (lower), global yields closed higher. Germany's 10Y yield rose the most ahead of ECB Council member's speech. US 10Y yield also inched up by 2bps as New York Fed's 1-year inflation expectations inched up. India's 10Y yield fell by 2bps, supported by buoyant debt inflows. It is trading at the same level today.

Fig 3 – Bond 10Y yield

	08-03-2024	11-03-2024	change in bps
US	4.07	4.10	2
UK	3.98	3.97	0
Germany	2.27	2.30	4
Japan	0.74	0.76	2
China	2.29	2.31	2
India	7.03	7.02	(2)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	08-03-2024	11-03-2024	change in bps
Tbill-91 days	6.90	6.89	(1)
Tbill-182 days	7.13	7.10	(3)
Tbill-364 days	7.08	7.06	(2)
G-Sec 2Y	7.03	7.00	(3)
India OIS-2M	6.77	6.77	0
India OIS-9M	6.72	6.73	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	07-03-2024	11-03-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.2)	0.1	0.3
Reverse Repo	0	0	0
Repo	0.5	0.5	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	06-03-2024	07-03-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	962.1	1,808.5	846.5
Debt	276.4	529.4	253.0
Equity	685.6	1,279.2	593.5
Mutual funds (Rs cr)	2,057.7	1,240.1	(817.6)
Debt	341.2	(1,087.4)	(1,428.5)
Equity	1,716.5	2,327.4	610.9

Source: Bloomberg, Bank of Baroda Research

- Oil prices edged up marginally tracking developments in Middle-East.

Fig 7 – Commodities

	08-03-2024	11-03-2024	% change
Brent crude (US\$/bbl)	82.1	82.2	0.2
Gold (US\$/ Troy Ounce)	2,179.0	2,182.8	0.2
Copper (US\$/ MT)	8,487.3	8,559.7	0.9
Zinc (US\$/MT)	2,492.3	2,533.0	1.6
Aluminium (US\$/MT)	2,240.0	2,259.0	0.8

Source: Bloomberg, Bank of Baroda Research



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