

## MORNING MOCHA

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Investors monitored the most awaited US CPI print which surprised and came in higher than expected at 0.3% in Jan'24 on MoM basis (estimated: 0.2%) from 0.2% in Dec'23. Core CPI (excl food and fuel) was up by 0.4% (from 0.3%) highest increase since Apr'23. This has pushed back expectations of any imminent rate cuts by Fed. According to CME Fed watch tool, rate cuts are now likely (74.4% chance) in Jun'24. Japanese Yen continued to weaken with government authorities stating, they can take 'appropriate actions' if required. Separately, OPEC in its monthly report noted the demand for oil is expected to increase (unchanged from last month) by 2.25mn bpd and by 1.85mn bpd in CY24 and CY25 respectively. These forecasts are higher than the forecast by IEA (1.24mn bpd).

- Global stocks ended mixed. US indices closed in red after hotter than expected CPI print, turned down the expectations of rate cut by Fed. European indices slipped and were dragged down by losses in technology and media stocks. Amongst other indices, Nikkei surged the most. Sensex (0.7%) advanced, led by sharp gains in banking and IT stocks. However, it is trading lower today, in line with other Asian stocks.

**Fig 1 – Stock markets**

	12-02-2024	13-02-2024	% change
Dow Jones	38,797	38,273	(1.4)
S & P 500	5,022	4,953	(1.4)
FTSE	7,574	7,512	(0.8)
Nikkei	36,897	37,964	2.9
Hang Seng	15,878	15,747	(0.8)
Shanghai Comp	2,830	2,866	1.3
Sensex	71,072	71,555	0.7
Nifty	21,616	21,743	0.6

Source: Bloomberg, Bank of Baroda Research, Note: China's market are closed through this week for Lunar New Year Holiday

- Except INR (flat), other major global currencies closed lower against the dollar. DXY strengthened by 0.8% following upside surprise in US inflation. JPY fell the most (-1%). Analysts are expecting BoJ to intervene in the forex market. INR ended flat, but is trading lower today, in line with other Asian currencies.

**Fig 2 – Currencies**

	12-02-2024	13-02-2024	% change
EUR/USD (1 EUR / USD)	1.0772	1.0709	(0.6)
GBP/USD (1 GBP / USD)	1.2629	1.2592	(0.3)
USD/JPY (JPY / 1 USD)	149.35	150.80	(1.0)
USD/INR (INR / 1 USD)	83.00	83.01	0
USD/CNY (CNY / 1 USD)	7.1967	7.1936	0

Source: Bloomberg, Bank of Baroda Research



- Barring Japan and India (flat), other global 10Y yields ended higher. 10Y yield in US and UK rose the most. Higher than expected CPI print in the US has pushed the possible timing of Fed rate cut from May'24 to Jun'24. India's 10Y yield ended flat, despite inch up in oil prices. However, following global cues, it is trading higher today at 7.12%.

**Fig 3 – Bond 10Y yield**

	12-02-2024	13-02-2024	change in bps
US	4.18	4.31	14
UK	4.06	4.15	9
Germany	2.36	2.39	3
Japan	0.73	0.73	0
China	2.42	2.44	2
India	7.09	7.10	0

Source: Bloomberg, Bank of Baroda Research, Note: China's market are closed through this week for Lunar New Year Holiday

**Fig 4 – Short term rates**

	12-02-2024	13-02-2024	change in bps
Tbill-91 days	7.02	7.02	0
Tbill-182 days	7.13	7.13	0
Tbill-364 days	7.11	7.12	1
G-Sec 2Y	6.99	7.03	4
India OIS-2M	6.79	6.80	1
India OIS-9M	6.71	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	12-02-2024	13-02-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	2.1	2.1	(0.1)
Reverse Repo	0	0	0
Repo	1.8	2.3	0.5

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	09-02-2024	12-02-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(44.5)	114.4	158.9
Debt	(84.3)	87.8	172.1
Equity	39.8	26.6	(13.2)
Mutual funds (Rs cr)	2,439.9	(4,590.6)	(7,030.6)
Debt	(2,125.8)	(3,926.8)	(1,801.0)
Equity	4,565.8	(663.8)	(5,229.6)

Source: Bloomberg, Bank of Baroda Research, Note: Mutual fund data as of 8<sup>th</sup> and 9<sup>th</sup> Feb 2024

- Oil prices climbed up amidst tensions around Middle East.

**Fig 7 – Commodities**

	12-02-2024	13-02-2024	% change
Brent crude (US\$/bbl)	82.0	82.8	0.9
Gold (US\$/ Troy Ounce)	2,020.1	1,993.2	(1.3)
Copper (US\$/ MT)	8,128.7	8,155.5	0.3
Zinc (US\$/MT)	2,301.8	2,291.0	(0.5)
Aluminium (US\$/MT)	2,227.0	2,225.5	(0.1)

Source: Bloomberg, Bank of Baroda Research



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