

MORNING MOCHA

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ECONOMIST

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A slew of data was released in China including the GDP print for Q4CY23 which climbed up by 5.2%, tad lower than the estimate (5.3%). For CY23, the economy has expanded by 5.2% with uneven recovery and global agencies expect a slower growth in CY24 amidst continued weakness in property market and 'subdued external demand'. In CY23, fixed asset investment climbed up by 3% with higher growth in infrastructure and manufacturing. For Dec'23, retail sales rose (7.4% from 10.1%) at a slower pace while industrial output (6.8% from 6.6%) climbed up. Globally, focus would remain on interest rate outlook after Fed official made similar comments as ECB officials on not rushing towards lowering rates till there is more clarity on inflation.

- Except Shanghai Comp, other global markets ended lower. Investors monitored comments by Fed Waller on lowering rates 'carefully' as inflation is nearing the Fed's target goal. Developments around Red sea were carefully monitored. Sensex ended in red and was dragged down by losses in real estate and power stocks. It is trading lower today in line with other Asian stocks.

Fig 1 – Stock markets

	15-01-2024	16-01-2024	% change
Dow Jones	37,593	37,361	(0.6)
S & P 500	4,784	4,766	(0.4)
FTSE	7,595	7,558	(0.5)
Nikkei	35,902	35,619	(0.8)
Hang Seng	16,216	15,866	(2.2)
Shanghai Comp	2,886	2,894	0.3
Sensex	73,328	73,129	(0.3)
Nifty	22,097	22,032	(0.3)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in US were closed until 15 Jan 2024

- Global currencies ended lower. DXY jumped by 0.9%, trading at nearly one-month high, owing to jump in treasury yields and uncertainty around timing of Fed's rate cuts. JPY and GBP fell the most. INR was down by 0.2% following global cues and slight increase in oil prices. It is trading further lower today, in line with other Asian currencies.

Fig 2 – Currencies

	15-01-2024	16-01-2024	% change
EUR/USD (1 EUR / USD)	1.0950	1.0875	(0.7)
GBP/USD (1 GBP / USD)	1.2727	1.2637	(0.7)
USD/JPY (JPY / 1 USD)	145.73	147.19	(1.0)
USD/INR (INR / 1 USD)	82.89	83.08	(0.2)
USD/CNY (CNY / 1 USD)	7.1715	7.1877	(0.2)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in US were closed until 15 Jan 2024



- Barring yields in the UK, China and India, other global yields closed higher. US 10Y yield noted sharpest jump (+12bps) following hawkish comments from Fed Governor Waller. As a result, investors scaled back their expectations of an early rate cut by the Fed. India's 10Y yield ended flat and is trading at similar levels even today (7.15%).

Fig 3 – Bond 10Y yield

	15-01-2024	16-01-2024	change in bps
US	3.94	4.06	12
UK	3.80	3.80	0
Germany	2.23	2.26	2
Japan	0.57	0.60	3
China	2.52	2.53	0
India	7.15	7.15	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in US were closed until 15 Jan 2024

Fig 4 – Short term rates

	15-01-2024	16-01-2024	change in bps
Tbill-91 days	6.95	6.93	(2)
Tbill-182 days	7.12	7.07	(5)
Tbill-364 days	7.12	7.11	(1)
G-Sec 2Y	7.01	7.00	(1)
India OIS-2M	6.78	6.77	(1)
India OIS-9M	6.64	6.65	1
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 US were closed until 15 Jan 2024

Fig 5 – Liquidity

Rs tn	15-01-2024	16-01-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	2.1	1.9	(0.2)
Reverse repo	0	0	0
Repo	1.8	1.8	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	12-01-2024	15-01-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	262.9	320.9	58.0
Debt	314.8	77.7	(237.2)
Equity	(51.9)	243.2	295.1
Mutual funds (Rs cr)	3,028.1	3,454.5	426.4
Debt	796.8	2,103.2	1,306.5
Equity	2,231.3	1,351.3	(880.0)

Source: Bloomberg, Bank of Baroda Research Note: Mutual fund data as of 10 Jan 2024 and 11 Jan 2024

- Oil prices rose by 0.2%, as investors weighed supply side tensions in Red Sea..

Fig 7 – Commodities

	15-01-2024	16-01-2024	% change
Brent crude (US\$/bbl)	78.2	78.3	0.2
Gold (US\$/ Troy Ounce)	2,056.6	2,028.4	(1.4)
Copper (US\$/ MT)	8,284.0	8,268.0	(0.2)
Zinc (US\$/MT)	2,535.0	2,527.5	(0.3)
Aluminium (US\$/MT)	2,204.5	2,214.0	0.4

Source: Bloomberg, Bank of Baroda Research



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