

MORNING MOCHA

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In line with market expectations, US Fed decided to keep the policy rates unchanged in Jan'24. Fed Chair Powell hinted that it was too early for Fed to begin cuts from Mar'24 onwards. However, the statement confirmed that rates have reached their peak and dialling back will begin from this year. US labour market is showing signs of soft landing as ADP data shows that private payrolls in Jan'24 rose by 107k (est.: 150k), versus 158k increase in Dec'23. Separately, cooling inflation print in Eurozone (France and Germany) has revived hopes of ECB cutting rates in its Apr'24 meeting. Further improving global growth prospects, China's manufacturing activity contracted at a slightly slower pace in Jan'24 (49.2 versus 49 in Dec'23), and non-manufacturing activity improved (50.7 versus 50.4). Domestically, core sector growth in Dec'23 eased to 3.8%, at its lowest in FYTD24 so far.

- Barring Nikkei and Sensex, other global indices closed lower. US indices ended in red as investors monitored Fed's rate decision. Probability of rate cuts has now pushed back to May-Jun'24. Sensex gained by 0.9%, led by gains in real estate and auto stocks. It is trading further higher today, in line with other Asian indices.

Fig 1 – Stock markets

	30-01-2024	31-01-2024	% change
Dow Jones	38,467	38,150	(0.8)
S & P 500	4,925	4,846	(1.6)
FTSE	7,666	7,631	(0.5)
Nikkei	36,066	36,287	0.6
Hang Seng	15,703	15,485	(1.4)
Shanghai Comp	2,831	2,789	(1.5)
Sensex	71,140	71,752	0.9
Nifty	21,522	21,726	0.9

Source: Bloomberg, Bank of Baroda Research

- Except GBP and EUR, other global currencies ended higher against the dollar. DXY declined by 0.1%. However, it is expected to climb up, given dovish commentary by Fed officials. INR strengthened by 0.1% amidst the dip in oil prices. It is trading stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	30-01-2024	31-01-2024	% change
EUR/USD (1 EUR / USD)	1.0845	1.0818	(0.2)
GBP/USD (1 GBP / USD)	1.2700	1.2688	(0.1)
USD/JPY (JPY / 1 USD)	147.61	146.92	0.5
USD/INR (INR / 1 USD)	83.11	83.04	0.1
USD/CNY (CNY / 1 USD)	7.1778	7.1689	0.1

Source: Bloomberg, Bank of Baroda Research



- Except Japan, other global yields closed sharply lower. 10Y yields in US and Europe fell the most, following Fed's rate decision. The central bank admitted that rates are at its peak currently and depending upon incoming data it may begin rate cuts this year. India's 10Y yield fell by 1bps, as oil prices also inched down. It is trading even lower at 7.13% today.

Fig 3 – Bond 10Y yield

	30-01-2024	31-01-2024	change in bps
US	4.03	3.91	(12)
UK	3.90	3.79	(11)
Germany	2.27	2.17	(10)
Japan	0.72	0.73	2
China	2.46	2.43	(2)
India	7.16	7.14	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	30-01-2024	31-01-2024	change in bps
Tbill-91 days	7.03	7.02	(1)
Tbill-182 days	7.17	7.18	1
Tbill-364 days	7.13	7.15	2
G-Sec 2Y	7.03	7.00	(3)
India OIS-2M	6.71	6.76	5
India OIS-9M	6.62	6.63	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	30-01-2024	31-01-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	2.7	2.3	(0.4)
Reverse repo	0	0	0
Repo	2.8	2.5	(0.3)

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	29-01-2024	30-01-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(532.2)	83.2	615.5
Debt	(19.4)	301.6	320.9
Equity	(512.9)	(218.3)	294.5
Mutual funds (Rs cr)	(3,787.5)	1,284.4	5,071.9
Debt	(1,683.0)	(2,145.5)	(462.6)
Equity	(2,104.5)	3,429.9	5,534.5

Source: Bloomberg, Bank of Baroda Research| Note: Mutual funds data as of 25 and 29 Jan 2024

- Oil prices fell by 1.4%, on account of bearish demand outlook.

Fig 7 – Commodities

	30-01-2024	31-01-2024	% change
Brent crude (US\$/bbl)	82.9	81.7	(1.4)
Gold (US\$/ Troy Ounce)	2,037.0	2,039.5	0.1
Copper (US\$/ MT)	8,511.8	8,500.5	(0.1)
Zinc (US\$/MT)	2,559.5	2,517.9	(1.6)
Aluminium (US\$/MT)	2,274.5	2,280.0	0.2

Source: Bloomberg, Bank of Baroda Research



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