

## MORNING MOCHA

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ECONOMIST  
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Producer prices in US rose at the fastest pace in 5-months at 0.3% in Jan'24 (est. 0.1%) compared with a decline of 0.1% in Dec'23. The increase was led by higher services inflation. The persistent increase in inflation has reaffirmed views of a delayed start to the Fed rate cuts. Separate data also showed a decline in housing starts which fell by 14.8% to 1.33mn units (est. 1.46mn units). In China, while PBOC kept the 1Y LPR unchanged at 3.45%, it cut the 5Y year LPR by 25bps to 3.95%. This was the first rate cut since Jun'23 and was higher than estimate of a 5-15bps decline. Separately, minutes of the Reserve Bank of Australia meeting indicated that members remained vigilant on inflation and did not rule out further rate hikes.

- Global stocks ended mixed. Investors shifted their focus to Fed minutes which are scheduled to be released this week. Atlanta Fed President also spoke of more data related evidence before embarking on easing financial conditions. Shanghai Comp rose the most, while Hang Seng and US stocks moderated. Sensex inched up, led by consumer durables and auto stocks. However, it is trading lower today, in line with its Asian peers.

**Fig 1 – Stock markets**

	16-02-2024	19-02-2024	% change
Dow Jones	38,773	38,628	(0.4)
S & P 500	5,030	5,006	(0.5)
FTSE	7,712	7,729	0.2
Nikkei	38,487	38,470	0
Hang Seng	16,340	16,156	(1.1)
Shanghai Comp	2,866	2,911	1.6
Sensex	72,427	72,708	0.4
Nifty	22,041	22,122	0.4

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India and US were closed on 19 Feb 2024

- Except EUR and INR, other global currencies closed ended weaker against the dollar. DXY was marginally higher tracking macro data (US PPI and housing starts). Possibility of a rate cut by Fed has been pushed back to Jun'24. JPY depreciated further amidst continued policy divergence between BoJ and Fed. INR appreciated a tad. It is trading further stronger today, while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	16-02-2024	19-02-2024	% change
EUR/USD (1 EUR / USD)	1.0784	1.0779	0
GBP/USD (1 GBP / USD)	1.2628	1.2594	(0.3)
USD/JPY (JPY / 1 USD)	149.29	150.13	(0.6)
USD/INR (INR / 1 USD)	83.04	83.02	0
USD/CNY (CNY / 1 USD)	7.1936	7.1981	(0.1)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India and US were closed on 19 Feb 2024



- Global yields traded in a narrow range. Investors have already priced in a delayed start of rate cut cycle by Fed. The recent PPI data and inflation expectations data of the US also reaffirmed the same. PBOC's decision to cut the benchmark 5 year loan prime rate might have some future impact on its yield. India's 10Y yield inched a tad and is trading at 7.09% today.

**Fig 3 – Bond 10Y yield**

	16-02-2024	19-02-2024	change in bps
US	4.28	4.28	0
UK	4.11	4.11	0
Germany	2.40	2.41	1
Japan	0.74	0.74	0
China	2.44	2.44	0
India	7.09	7.10	1

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India and US were closed on 19 Feb 2024

**Fig 4 – Short term rates**

	15-02-2024	16-02-2024	change in bps
Tbill-91 days	7.03	7.03	0
Tbill-182 days	7.14	7.13	(1)
Tbill-364 days	7.11	7.14	3
G-Sec 2Y	7.06	7.05	(1)
India OIS-2M	6.78	6.78	0
India OIS-9M	6.74	6.72	(2)
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.30	5.31	1

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India and US were closed on 19 Feb 2024

**Fig 5 – Liquidity**

Rs tn	15-02-2024	16-02-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	2.1	1.8	(0.3)
Reverse Repo	0	0	0
Repo	2.5	1.8	(0.7)

Source: RBI, Bank of Baroda Research | Note: Markets in India were closed on 19 Feb 2024

**Fig 6 – Capital market flows**

	13-02-2024	14-02-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(330.0)	241.1	571.1
Debt	(13.7)	103.4	117.1
Equity	(316.3)	137.7	454.0
Mutual funds (Rs cr)	2,335.2	(1,901.8)	(4,237.0)
Debt	(571.3)	(3,464.8)	(2,893.5)
Equity	2,906.5	1,563.1	(1,343.5)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 19 Feb 2024 | Mutual funds data as of 14 Feb and 15 Feb 2024

- Oil prices were broadly stable tracking developments in the Middle-East.

**Fig 7 – Commodities**

	16-02-2024	19-02-2024	% change
Brent crude (US\$/bbl)	83.5	83.6	0.1
Gold (US\$/ Troy Ounce)	2,013.6	2,017.2	0.2
Copper (US\$/ MT)	8,409.2	8,353.5	(0.7)
Zinc (US\$/MT)	2,357.3	2,362.5	0.2
Aluminium (US\$/MT)	2,218.0	2,197.0	(0.9)

Source: Bloomberg, Bank of Baroda Research



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