

## MORNING MOCHA

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ECONOMIST  
**Sonal Badhan**

Stronger than expected housing starts data in the US has raised uncertainty around Fed's timing and quantum of rate cuts. Housing starts rose to 1.52mn units in Feb'24 (est.: 1.43mn units), up from 1.37mn units in Jan'24. Bulk of this demand comes from single family units which rose to 1.13mn units in Feb'24—highest since Apr'22. Single family unit building permits (indicator of future construction activity) also jumped to ~1.5yr high. Businesses are offering discounts and compromising on size of the units to negate the impact of high mortgage rates. Separately, optimism in Germany has returned as Germany's ZEW economic sentiment jumped in Mar'24 to 31.7 (est.: 20.5) from 19.9 in Feb'24. Domestically, RBI's monthly bulletin stated that with the help of improving corporate balance sheets, government's capex thrust and structural improvements in private demand, India can sustain 8% growth momentum.

- Global stock indices ended mixed, as investors monitored the landmark decision by BoJ of ending negative rates. The focus will now shift towards upcoming Fed meet. Wall Street made strong gains, followed by Nikkei. On the other hand, Sensex ended in red and was dragged down by losses in IT and power stocks. However, it is trading higher today, while other Asian stocks are trading mixed.

**Fig 1 – Stock markets**

|               | 18-03-2024 | 19-03-2024 | % change |
|---------------|------------|------------|----------|
| Dow Jones     | 38,790     | 39,111     | 0.8      |
| S & P 500     | 5,149      | 5,179      | 0.6      |
| FTSE          | 7,723      | 7,738      | 0.2      |
| Nikkei        | 39,740     | 40,004     | 0.7      |
| Hang Seng     | 16,737     | 16,529     | (1.2)    |
| Shanghai Comp | 3,085      | 3,063      | (0.7)    |
| Sensex        | 72,748     | 72,012     | (1.0)    |
| Nifty         | 22,056     | 21,817     | (1.1)    |

Source: Bloomberg, Bank of Baroda Research

- Except CNY (flat), other global currencies ended lower against the dollar. DXY continues to climb up (0.2%) with the spotlight now on speech by Fed Chair to offer guidance on rate outlook. JPY weakened to near 4-month low, post BoJ's decision. INR depreciated amidst higher oil prices. However, it is trading stronger today, while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

|                       | 18-03-2024 | 19-03-2024 | % change |
|-----------------------|------------|------------|----------|
| EUR/USD (1 EUR / USD) | 1.0872     | 1.0866     | (0.1)    |
| GBP/USD (1 GBP / USD) | 1.2729     | 1.2722     | (0.1)    |
| USD/JPY (JPY / 1 USD) | 149.15     | 150.86     | (1.1)    |
| USD/INR (INR / 1 USD) | 82.91      | 83.04      | (0.2)    |
| USD/CNY (CNY / 1 USD) | 7.1984     | 7.1994     | 0        |

Source: Bloomberg, Bank of Baroda Research



- Barring India, other global 10Y yields inched down. Yields in China, US, and UK fell the most. Investors keenly await Fed's rate decision (due today), to gauge whether the 1<sup>st</sup> rate cut will be delivered in Jun'24 or not. The chances remain uncertain following strong housing starts report. India's 10Y yield rose by 1bps, due to inch up in prices. It is trading flat today at 7.10%.

**Fig 3 – Bond 10Y yield**

|         | 18-03-2024 | 19-03-2024 | change in bps |
|---------|------------|------------|---------------|
| US      | 4.32       | 4.29       | (3)           |
| UK      | 4.09       | 4.06       | (3)           |
| Germany | 2.46       | 2.45       | (1)           |
| Japan   | 0.77       | 0.74       | (3)           |
| China   | 2.33       | 2.29       | (4)           |
| India   | 7.09       | 7.10       | 1             |

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

|                          | 18-03-2024 | 19-03-2024 | change in bps |
|--------------------------|------------|------------|---------------|
| Tbill-91 days            | 6.86       | 7.03       | 17            |
| Tbill-182 days           | 7.09       | 7.07       | (2)           |
| Tbill-364 days           | 7.08       | 7.07       | (1)           |
| G-Sec 2Y                 | 7.06       | 7.08       | 2             |
| India OIS-2M             | 6.77       | 6.78       | 1             |
| India OIS-9M             | 6.76       | 6.77       | 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                             | 18-03-2024 | 19-03-2024 | change (Rs tn) |
|-----------------------------------|------------|------------|----------------|
| Net Liquidity (-Surplus/+deficit) | 0.7        | 0.5        | (0.2)          |
| Reverse Repo                      | 0          | 0          | 0              |
| Repo                              | 0          | 0          | 0              |

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

|                      | 15-03-2024 | 18-03-2024 | change (US\$ mn/Rs cr) |
|----------------------|------------|------------|------------------------|
| FII (US\$ mn)        | 208.6      | (235.0)    | (443.5)                |
| Debt                 | 115.3      | (94.2)     | (209.6)                |
| Equity               | 93.3       | (140.7)    | (234.0)                |
| Mutual funds (Rs cr) | (1,986.9)  | (4,671.3)  | (2,684.4)              |
| Debt                 | (2,161.6)  | (3,207.5)  | (1,045.9)              |
| Equity               | 174.7      | (1,463.8)  | (1,638.5)              |

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 14 Mar 2024 and 15 Mar 2024

- Oil prices rose, as supply concerns persist (Russian refineries attacked).

**Fig 7 – Commodities**

|                         | 18-03-2024 | 19-03-2024 | % change |
|-------------------------|------------|------------|----------|
| Brent crude (US\$/bbl)  | 86.9       | 87.4       | 0.6      |
| Gold (US\$/ Troy Ounce) | 2,160.4    | 2,157.6    | (0.1)    |
| Copper (US\$/ MT)       | 8,986.1    | 8,870.8    | (1.3)    |
| Zinc (US\$/MT)          | 2,485.8    | 2,458.6    | (1.1)    |
| Aluminium (US\$/MT)     | 2,277.5    | 2,269.0    | (0.4)    |

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

**Chief Economist**

Bank of Baroda

[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)