

MORNING MOCHA

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ECONOMIST
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Global markets continued to assess the trajectory of policy rates. Minutes of the Fed policy meeting are due today. On the other hand, Bank of England Governor along with other BoE members, commented on the possibility of rate cuts. Markets now expect BoE to cut rates possibly in Jun'24 by 25bps. In the Euro Zone, wage growth slowed down for the first time since Q2CY22, suggesting some moderation in underlying inflationary pressures. In India, both the RBI and Government attested to the strength of the Indian economy. A pickup in private sector capex, improved capacity utilisation, coupled with moderation in inflation and government's thrust on infrastructure bode well for the outlook of the economy.

- Global stocks ended mixed. Stocks in Hong Kong rose the most led by healthcare, basic materials and technology stocks. Shanghai Comp also inched up supported by monetary easing of PBOC. Nikkei moderated as investors monitored downbeat business sentiment among large manufacturers, assessing the Tankan poll data. Sensex inched up, led by banking and real estate stocks. It is trading further higher today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	19-02-2024	20-02-2024	% change
Dow Jones	38,628	38,564	(0.2)
S & P 500	5,006	4,976	(0.6)
FTSE	7,729	7,719	(0.1)
Nikkei	38,470	38,364	(0.3)
Hang Seng	16,156	16,248	0.6
Shanghai Comp	2,911	2,923	0.4
Sensex	72,708	73,057	0.5
Nifty	22,122	22,197	0.3

Source: Bloomberg, Bank of Baroda Research

- Global currencies appreciated as the dollar retreated. DXY fell by 0.2%, as investors await minutes of the Fed meeting. GBP rose by 0.2% even as BoE Governor hinted at the possibility of rate cuts. EUR too rose by 0.3%. INR appreciated by 0.1% as oil prices fell. It is trading further stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	19-02-2024	20-02-2024	% change
EUR/USD (1 EUR / USD)	1.0779	1.0808	0.3
GBP/USD (1 GBP / USD)	1.2594	1.2623	0.2
USD/JPY (JPY / 1 USD)	150.13	150.01	0.1
USD/INR (INR / 1 USD)	83.02	82.97	0.1
USD/CNY (CNY / 1 USD)	7.1981	7.1925	0.1

Source: Bloomberg, Bank of Baroda Research



- Except US and Japan (stable), global yields closed lower. UK's 10Y yield fell the most by 7bps as investors monitored BoE Governor's comments, who spoke of easing price pressures and possibility of rate cuts. Germany's 10Y yield also fell by 4bps as Eurozone wage growth slowed down. India's 10Y yield fell by 4bps, in line with global cues and is trading further lower at 7.04% today.

Fig 3 – Bond 10Y yield

	19-02-2024	20-02-2024	change in bps
US	4.28	4.28	0
UK	4.11	4.04	(7)
Germany	2.41	2.37	(4)
Japan	0.74	0.73	0
China	2.44	2.42	(2)
India	7.10	7.06	(4)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	19-02-2024	20-02-2024	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

Fig 5 – Liquidity

Rs tn	16-02-2024	20-02-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	2.1	1.9	(0.2)
Reverse Repo	0	0	0
Repo	2.5	2.5	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	15-02-2024	16-02-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	241.1	43.8	(197.3)
Debt	103.4	23.0	(80.3)
Equity	137.7	20.8	(116.9)
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 Mutual funds data as of 14 Feb and 15 Feb 2024

- Oil prices fell as worries over muted demand outweighed supply concerns.

Fig 7 – Commodities

	19-02-2024	20-02-2024	% change
Brent crude (US\$/bbl)	83.6	82.3	(1.5)
Gold (US\$/ Troy Ounce)	2,017.2	2,024.4	0.4
Copper (US\$/ MT)	8,353.5	8,424.0	0.8
Zinc (US\$/MT)	2,362.5	2,336.8	(1.1)
Aluminium (US\$/MT)	2,197.0	2,193.5	(0.2)

Source: Bloomberg, Bank of Baroda Research



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