

## MORNING MOCHA

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ECONOMIST  
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Macro data painted a mixed picture of the US economy. Jobless claims fell unexpectedly to 201,000 (est. 218,000), attesting to the continued strength in the labour market. Existing home sales rose by 3.1% to a 5-month high. On the other hand, flash PMI indicated moderation in economic momentum, led by services activity. In contrast, flash composite PMIs of both UK and Eurozone edged up. Slowdown in China's property sector continued, with new home prices falling by another 0.3% (MoM) in Jan'24. However, the pace of decline has moderated. In India, flash PMI signalled that economic activity remains on track, amidst an expansion in both manufacturing and services PMI. Minutes of the RBI's policy meeting indicated that the MPC remained confident on the growth outlook. MPC members also agreed that much of the moderation in headline inflation is led by softening core and food inflation poses risks to the inflation trajectory.

- Global stocks rallied propelled by robust earnings of a major tech company. US stocks rose the most, followed by Japan. Signs of improvement in the property sector in Hong Kong, supported Hang Seng. Sensex inched up, led by auto and capital goods stocks. It is trading further higher today, while Asian stocks are trading mixed, tracking house price data in China.

**Fig 1 – Stock markets**

	21-02-2024	22-02-2024	% change
Dow Jones	38,612	39,069	1.2
S & P 500	4,982	5,087	2.1
FTSE	7,663	7,684	0.3
Nikkei	38,262	39,099	2.2
Hang Seng	16,503	16,743	1.5
Shanghai Comp	2,951	2,988	1.3
Sensex	72,623	73,158	0.7
Nifty	22,055	22,217	0.7

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. DXY fell marginally as investors assessed macro data from the US. GBP appreciated by 0.2% supported by improvement in flash PMI. JPY depreciated further leading to speculation of BoJ's intervention. INR appreciated a tad, but is trading weaker today.

**Fig 2 – Currencies**

	21-02-2024	22-02-2024	% change
EUR/USD (1 EUR / USD)	1.0819	1.0823	0
GBP/USD (1 GBP / USD)	1.2638	1.2660	0.2
USD/JPY (JPY / 1 USD)	150.30	150.53	(0.2)
USD/INR (INR / 1 USD)	82.97	82.85	0.1
USD/CNY (CNY / 1 USD)	7.1912	7.1939	0

Source: Bloomberg, Bank of Baroda Research



- Global yields traded in a narrow range. Investors tracked mixed PMI readings, moderation in US jobless claims as well as commentaries of Fed officials. Philadelphia Fed President spoke of risks of early easing, while Fed Governor Lisa Cook said that if disinflation is sustained then it warrants a change in rate outlook. India's 10Y yield rose a tad. It is trading at the same level today.

**Fig 3 – Bond 10Y yield**

	21-02-2024	22-02-2024	change in bps
US	4.32	4.32	0
UK	4.10	4.11	0
Germany	2.45	2.44	(1)
Japan	0.73	0.72	(1)
China	2.42	2.41	(1)
India	7.05	7.07	1

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	21-02-2024	22-02-2024	change in bps
Tbill-91 days	7.01	6.97	(4)
Tbill-182 days	7.17	7.16	(1)
Tbill-364 days	7.13	7.12	(1)
G-Sec 2Y	7.02	7.02	0
India OIS-2M	6.77	6.75	(1)
India OIS-9M	6.72	6.74	2
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.30	5.30	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	21-02-2024	22-02-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	2.5	2.4	(0.1)
Reverse Repo	0	0	0
Repo	3.0	3.0	0.5

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	20-02-2024	21-02-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	580.0	(12.4)	(592.5)
Debt	221.6	(59.9)	(281.6)
Equity	358.4	47.5	(310.9)
Mutual funds (Rs cr)	713.1	1,902.5	1,189.5
Debt	(37.9)	411.1	449.0
Equity	751.0	1,491.4	740.4

Source: Bloomberg, Bank of Baroda Research

- Oil prices rose as US crude inventories rose less than expected.

**Fig 7 – Commodities**

	21-02-2024	22-02-2024	% change
Brent crude (US\$/bbl)	83.0	83.7	0.8
Gold (US\$/ Troy Ounce)	2,026.0	2,024.4	(0.1)
Copper (US\$/ MT)	8,456.5	8,499.5	0.5
Zinc (US\$/MT)	2,352.0	2,344.8	(0.3)
Aluminium (US\$/MT)	2,219.5	2,198.0	(1.0)

Source: Bloomberg, Bank of Baroda Research



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