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ECONOMIST
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Bank of Japan left its policy rate unchanged, in line with market expectations. Reports of a nearly 2tn yuan stimulus package in China to stabilise the stock markets also buoyed investor sentiments. This has led to a rally in Asian stocks, with Japan's Nikkei trading near a 34-year high today. US stocks too continued their bull-run with the S&P 500 and Dow Jones both ending at a fresh record-high. Focus this week remains on flash PMIs of major economies, US Q4GDP and PCE report and consumer confidence index of UK and Germany. Apart from this investors will also keep a keen eye on ECB policy decision due later in the week. While it is widely expected to keep rates on pause, investors will await cues from ECB Chair's statement to assess future trajectory of rates.

- Global markets ended mixed. Stocks in US and Europe inched up as policy decision of major central banks are closely watched. In the US, traders have trimmed down expectation of rate cut in Mar'24 as per CME Fed Watch tool (probability of 42.4% from 76.9% a week ago). Asian stocks broadly ended lower. However, news of stimulus from Chinese authorities to stabilise the market has buoyed Asian stocks today. Sensex is also trading higher.

Fig 1 – Stock markets

	19-01-2024	22-01-2024	% change
Dow Jones	37,864	38,002	0.4
S & P 500	4,840	4,850	0.2
FTSE	7,462	7,488	0.3
Nikkei	35,963	36,547	1.6
Hang Seng	15,309	14,961	(2.3)
Shanghai Comp	2,832	2,756	(2.7)
Sensex	71,683	71,424	(0.4)
Nifty	21,622	21,572	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Global currencies traded in thin ranges as investors assessed future rate path. DXY, GBP and JPY ended largely unchanged. On the other hand, EUR depreciated a tad ahead of ECB meeting. INR appreciated by 0.1%, in the last trading session. However, it opened weaker today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	19-01-2024	22-01-2024	% change
EUR/USD (1 EUR / USD)	1.0898	1.0883	(0.1)
GBP/USD (1 GBP / USD)	1.2703	1.2709	0
USD/JPY (JPY / 1 USD)	148.12	148.10	0
USD/INR (INR / 1 USD)	83.12	83.07	0.1
USD/CNY (CNY / 1 USD)	7.1934	7.1909	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 22 Jan 2024



- Except India, global yields closed lower. Germany's 10Y yield fell by 5bps, as ECB decision and major macro releases such as retail sales and GDP are awaited. 10Y yields in both US and UK fell by 2bps each. In UK, markets await public sector borrowing data. India's 10Y yield closed flat and is trading a tad lower at 7.17% today.

Fig 3 – Bond 10Y yield

	19-01-2024	22-01-2024	change in bps
US	4.12	4.11	(2)
UK	3.93	3.90	(2)
Germany	2.34	2.29	(5)
Japan	0.67	0.66	(1)
China	2.50	2.50	(1)
India	7.18	7.18	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 22 Jan 2024

Fig 4 – Short term rates

	18-01-2024	19-01-2024	change in bps
Tbill-91 days	6.96	6.98	2
Tbill-182 days	7.15	7.15	0
Tbill-364 days	7.15	7.12	(3)
G-Sec 2Y	7.02	7.03	0
India OIS-2M	6.78	6.78	0
India OIS-9M	6.68	6.67	0
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.31	5.31	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 22 Jan 2024

Fig 5 – Liquidity

Rs tn	18-01-2024	19-01-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	2.1	2.4	(0.3)
Reverse repo	0	0	0
Repo	1.8	1.8	0

Source: RBI, Bank of Baroda Research | Note: Markets in India were closed on 22 Jan 2024

Fig 6 – Capital market flows

	17-01-2024	18-01-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(1,150.9)	(962.1)	188.8
Debt	110.1	144.1	34.0
Equity	(1,261.0)	(1,106.1)	154.8
Mutual funds (Rs cr)	(3,455.8)	1,260.9	4,716.7
Debt	(2,888.2)	(2,791.4)	96.8
Equity	(567.6)	4,052.2	4,619.9

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 22 Jan 2024, Mutual fund data as of 16 Jan and 17 Jan 2024

- Oil prices rose amidst a drone attack at a Russian fuel export terminal.

Fig 7 – Commodities

	19-01-2024	22-01-2024	% change
Brent crude (US\$/bbl)	78.6	80.1	1.9
Gold (US\$/ Troy Ounce)	2,029.5	2,021.7	(0.4)
Copper (US\$/ MT)	8,271.8	8,254.5	(0.2)
Zinc (US\$/MT)	2,449.9	2,445.0	(0.2)
Aluminium (US\$/MT)	2,166.0	2,159.0	(0.3)

Source: Bloomberg, Bank of Baroda Research



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