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Global markets were volatile as investors reassessed the future path of global monetary policy. While BoJ kept policy rates steady, it signalled a possible shift in Apr'24. On the other hand, the probability of a rate cut by Fed in Mar'24 has declined to 46.2% from about 75.6% a month earlier. All eyes are on ECB meeting today. Separately, UK posted a lower than expected budget deficit, paving the way for possible tax cuts. In Japan, flash PMI for Jan'24 signalled an improvement (51.1 from 50 in Dec'23), led by services. Separate data also showed that exports rose by 9.8% in Dec'23 to a record high, led by a surge in exports to China and US. Import growth however, declined by 6.8%. In Australia, the flash composite PMI edged up to a 4-month high at 48.1 (46.9 in Dec'23), but remained in the contractionary zone.

- Global stocks closed mixed. Stocks in China were buoyed by sentiments following remarks of China's Securities Regulatory Commission, to boost markets. Hang Seng rose by 2.6%, supported by technology stocks. Dow Jones fell as aggressive rate cut bets by Fed have been pared down. Nikkei edged down amidst hawkish undertone in BoJ's Governor statement. Sensex fell by 1.5%. It is trading further lower today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	22-01-2024	23-01-2024	% change
Dow Jones	38,002	37,905	(0.3)
S & P 500	4,850	4,865	0.3
FTSE	7,488	7,486	0
Nikkei	36,547	36,518	(0.1)
Hang Seng	14,961	15,354	2.6
Shanghai Comp	2,756	2,771	0.5
Sensex	71,424	70,371	(1.5)
Nifty	21,572	21,239	(1.5)

Source: Bloomberg, Bank of Baroda Research

- Except CNY, other global currencies depreciated. DXY rose by 0.3% as investors reassessed the possibility of rate cuts by Fed. EUR fell the most by 0.3% as Eurozone's flash consumer confidence dipped in Jan'24. INR depreciated by 0.1% amidst weakness in domestic equities. However, it is trading a tad stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	22-01-2024	23-01-2024	% change
EUR/USD (1 EUR / USD)	1.0883	1.0854	(0.3)
GBP/USD (1 GBP / USD)	1.2709	1.2687	(0.2)
USD/JPY (JPY / 1 USD)	148.10	148.35	(0.2)
USD/INR (INR / 1 USD)	83.07	83.16	(0.1)
USD/CNY (CNY / 1 USD)	7.1909	7.1718	0.3

Source: Bloomberg, Bank of Baroda Research



- Except India, global yields closed higher. UK's 10Y yield rose the most by 8bps despite sharp moderation in public sector net borrowing in Dec'23. Germany's 10Y yield rose by 6bps ahead of ECB policy decision. The uncertainty over timing of easing financial conditions is leading to volatility in sovereign yields. India's 10Y yield closed flat and is trading at 7.17% today.

Fig 3 – Bond 10Y yield

	22-01-2024	23-01-2024	change in bps
US	4.11	4.13	2
UK	3.90	3.99	8
Germany	2.29	2.35	6
Japan	0.66	0.67	1
China	2.50	2.51	1
India	7.18	7.18	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	22-01-2024	23-01-2024	change in bps
Tbill-91 days	6.98	6.99	1
Tbill-182 days	7.15	7.15	0
Tbill-364 days	7.12	7.14	2
G-Sec 2Y	7.03	7.04	1
India OIS-2M	6.78	6.77	(1)
India OIS-9M	6.67	6.66	(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	20-01-2024	23-01-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	2.4	3.3	0.9
Reverse repo	0	0	0
Repo	1.8	1.8	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	18-01-2024	19-01-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(962.1)	(357.1)	604.9
Debt	144.1	70.4	(73.7)
Equity	(1,106.1)	(427.5)	678.6
Mutual funds (Rs cr)	5,791.5	535.2	(5,256.3)
Debt	(155.7)	(2,378.1)	(2,222.4)
Equity	5,947.2	2,913.3	(3,033.9)

Source: Bloomberg, Bank of Baroda Research

- Oil prices moderated as global headwinds outweighed supply disruption.

Fig 7 – Commodities

	22-01-2024	23-01-2024	% change
Brent crude (US\$/bbl)	80.1	79.6	(0.6)
Gold (US\$/ Troy Ounce)	2,021.7	2,029.3	0.4
Copper (US\$/ MT)	8,254.5	8,312.0	0.7
Zinc (US\$/MT)	2,445.0	2,512.0	2.7
Aluminium (US\$/MT)	2,159.0	2,228.0	3.2

Source: Bloomberg, Bank of Baroda Research



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