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Flash PMIs of major economies signalled an improvement in economic activity. In US and UK, flash composite PMI rose to a 7-month high, led by an improvement in both services and manufacturing activity. However, in the Eurozone the pickup in activity was driven solely by the manufacturing sector, as services activity weakened. Separately, PBOC cut the reserve requirement ratio by 50bps to 10%, effectively injecting US\$ 140bn liquidity in the banking system. The move is expected to provide much needed support to the economy and pave way for further policy measures. In India, both manufacturing and services PMI showed a strong improvement in Jan'24. Domestic liquidity conditions continue to remain tight with liquidity deficit at a record high of Rs 3.5 lakh crores. Given the increasing pressure on liquidity, RBI may resort to measures to infuse durable liquidity in the system.

- Except Dow Jones and Nikkei, global markets closed higher. Investors raised hopes of an easing liquidity conditions amidst stimulus measures in China. Hang Seng rose the most, followed by Shanghai Comp. Sensex rose by 1%, led by metal and oil and gas stocks. It is trading lower today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	23-01-2024	24-01-2024	% change
Dow Jones	37,905	37,806	(0.3)
S & P 500	4,865	4,869	0.1
FTSE	7,486	7,528	0.6
Nikkei	36,518	36,226	(0.8)
Hang Seng	15,354	15,900	3.6
Shanghai Comp	2,771	2,821	1.8
Sensex	70,371	71,060	1.0
Nifty	21,239	21,454	1.0

Source: Bloomberg, Bank of Baroda Research

- Global currencies broadly gained against the dollar. DXY fell by 0.4% as investors await US GDP report. Prospects of an end to BoJ's ultra-dovish policy pushed JPY 0.6% higher. GBP and EUR also gained amidst Improvement in flash composite PMIs in UK and Eurozone. INR is trading further stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	23-01-2024	24-01-2024	% change
EUR/USD (1 EUR / USD)	1.0854	1.0885	0.3
GBP/USD (1 GBP / USD)	1.2687	1.2726	0.3
USD/JPY (JPY / 1 USD)	148.35	147.51	0.6
USD/INR (INR / 1 USD)	83.16	83.13	0
USD/CNY (CNY / 1 USD)	7.1718	7.1580	0.2

Source: Bloomberg, Bank of Baroda Research



- Except Germany (tad lower) and China (stable), global yields closed higher. US 10Y yield rose by 5bps as PMI data improved, which again raised doubts about timing of rate cut by Fed. Even Japan's 10Y yield rose by 5bps as some pivot in policy is anticipated. India's 10Y yield rose a tad and is trading at 7.19% today.

Fig 3 – Bond 10Y yield

	23-01-2024	24-01-2024	change in bps
US	4.13	4.18	5
UK	3.99	4.01	2
Germany	2.35	2.34	(1)
Japan	0.67	0.72	5
China	2.51	2.51	0
India	7.18	7.18	1

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	22-01-2024	23-01-2024	change in bps
Tbill-91 days	6.99	7.00	1
Tbill-182 days	7.15	7.19	4
Tbill-364 days	7.14	7.16	2
G-Sec 2Y	7.04	7.03	(1)
India OIS-2M	6.77	6.76	(1)
India OIS-9M	6.66	6.66	0
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	23-01-2024	24-01-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	3.3	3.5	0.2
Reverse repo	0	0	0
Repo	1.8	3.0	1.2

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	19-01-2024	23-01-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(357.1)	(235.7)	121.5
Debt	70.4	90.1	19.7
Equity	(427.5)	(325.8)	101.7
Mutual funds (Rs cr)	5,791.5	(58.3)	(5,849.8)
Debt	(155.7)	(2,877.8)	(2,722.1)
Equity	5,947.2	2,819.5	(3,127.7)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 18 Jan and 19 Jan 2024

- Oil prices inched up amidst a rundown in US crude stockpiles.

Fig 7 – Commodities

	23-01-2024	24-01-2024	% change
Brent crude (US\$/bbl)	79.6	80.0	0.6
Gold (US\$/ Troy Ounce)	2,029.3	2,013.9	(0.8)
Copper (US\$/ MT)	8,312.0	8,472.5	1.9
Zinc (US\$/MT)	2,512.0	2,580.3	2.7
Aluminium (US\$/MT)	2,228.0	2,229.5	0.1

Source: Bloomberg, Bank of Baroda Research



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