

MORNING MOCHA

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ECONOMIST
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Germany confirmed that GDP contracted by (-) 0.3% in Q4CY23, following stagnation in Q3 (0% growth versus -0.1% decline estimated earlier). Government has also lowered its estimates for CY24 growth to 0.2% from 1.3% projected earlier, and expects a recovery in CY25 with 1% projected increase in GDP. Germany's IFO business sentiment index also shows no major signs of optimism as the current situation index remained unchanged at 86.9 in Feb'24, and expectation index rose only marginally to 84.1 from 83.5 in Jan'24. In the US, as economic momentum remains strong (labour market, home sales), Fed officials are now signalling that Fed may want to keep the rates elevated for longer, thus pushing back on rate cut expectations. This has also impacted oil prices, as conscious measures to slowdown US economy will impact oil demand.

- Global stocks closed mixed. Stocks in US rose led by upbeat tech results and optimism over growth. Both Dow Jones and S&P 500 rallied to a new record-high. FTSE too surged supported by gains in large cap stocks. Sensex fell marginally, amidst losses in oil & gas and metal stocks. It is trading further lower today, while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	22-02-2024	23-02-2024	% change
Dow Jones	39,069	39,132	0.2
S & P 500	5,087	5,089	0
FTSE	7,684	7,706	0.3
Nikkei	38,262	39,099	2.2
Hang Seng	16,743	16,726	(0.1)
Shanghai Comp	2,988	3,005	0.6
Sensex	73,158	73,143	0
Nifty	22,217	22,213	0

Source: Bloomberg, Bank of Baroda Research | Markets in Japan were closed on 23.02.2024

- Global currencies traded in thin ranges as investors focussed on global monetary policy. DXY, EUR, CNY and JPY closed flat. ECB President accepted that weakening wage growth was positive, but still not sufficient to warrant rate cuts. INR fell amidst weakness in domestic equities and increased dollar demand. It is trading flat today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	22-02-2024	23-02-2024	% change
EUR/USD (1 EUR / USD)	1.0823	1.0821	0
GBP/USD (1 GBP / USD)	1.2660	1.2672	0.1
USD/JPY (JPY / 1 USD)	150.53	150.51	0
USD/INR (INR / 1 USD)	82.85	82.95	(0.1)
USD/CNY (CNY / 1 USD)	7.1939	7.1964	0

Source: Bloomberg, Bank of Baroda Research



- Barring Japan and India, other global 10Y yields ended lower. 10Y yield in Germany fell the most. Confirmation of contraction in GDP in Q4CY23 and downward revisions to growth estimates for CY24 impacted investor sentiments. India's 10Y yield rose a tad by 1bps. However, following global cues and decline in oil prices, it is trading lower today at 7.05%.

Fig 3 – Bond 10Y yield

	22-02-2024	23-02-2024	change in bps
US	4.32	4.25	(7)
UK	4.11	4.04	(7)
Germany	2.44	2.36	(8)
Japan	0.72	0.72	0
China	2.41	2.40	(1)
India	7.07	7.08	1

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	22-02-2024	23-02-2024	change in bps
Tbill-91 days	6.97	7.03	6
Tbill-182 days	7.16	7.16	0
Tbill-364 days	7.12	7.13	1
G-Sec 2Y	7.02	7.06	4
India OIS-2M	6.75	6.76	1
India OIS-9M	6.74	6.75	1
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	22-02-2024	23-02-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	2.4	2.3	(0.1)
Reverse Repo	0	0	0
Repo	3.0	0	(3.0)

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	21-02-2024	22-02-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(12.4)	37.2	49.7
Debt	(59.9)	59.9	119.8
Equity	47.5	(22.7)	(70.2)
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, Note: Mutual fund data as of 19th and 20th Feb 2024

- Oil prices fell, as Fed officials hinted at possibility of delaying its rate cut cycle.

Fig 7 – Commodities

	22-02-2024	23-02-2024	% change
Brent crude (US\$/bbl)	83.7	81.6	(2.5)
Gold (US\$/ Troy Ounce)	2,024.4	2,035.4	0.5
Copper (US\$/ MT)	8,499.5	8,475.0	(0.3)
Zinc (US\$/MT)	2,344.8	2,366.5	0.9
Aluminium (US\$/MT)	2,198.0	2,180.0	(0.8)

Source: Bloomberg, Bank of Baroda Research



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