

## MORNING MOCHA

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ECONOMIST  
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New home sales in the US rose by 1.5% (MoM) in Jan'24, slowing from 7.2% increase in Dec'23. The slowdown is attributed to seasonal factors-cold weather impacting both sales and construction. Sales are expected to get impacted in the coming months as 30Y fixed mortgage rate is again up as Fed's rate cut expectations have been pushed back from May to June. However, as supply-side crunch persists in existing home markets, there might be scope for new home sales to improve. Markets also await data on labour markets, PCE, production, retail sales, for more guidance on rates. Separately, in Japan core CPI rose by 2% in Jan'24 (est.: 1.8%), slowing from 2.3% in Dec'23, mainly reflecting base effect and dip in energy costs. Higher than expected CPI print signals pressures due to wage growth and investors continue to anticipate end of negative rates in BoJ's Apr'24 meeting.

- Global indices closed lower. US indices retreated as the focus shifted towards upcoming macro data for more guidance on Fed's next move. Amongst other indices, Shanghai Comp, dropped the most. Sensex too ended in red led by losses in metal & consumer durable stocks. However, it is trading higher today, while other Asian stocks are trading lower.

**Fig 1 – Stock markets**

	23-02-2024	26-02-2024	% change
Dow Jones	39,132	39,069	(0.2)
S & P 500	5,089	5,070	(0.4)
FTSE	7,706	7,684	(0.3)
Nikkei	39,099	39,234	0.3
Hang Seng	16,726	16,635	(0.5)
Shanghai Comp	3,005	2,977	(0.9)
Sensex	73,143	72,790	(0.5)
Nifty	22,213	22,122	(0.4)

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

- Except JPY (lower) and CNY (flat), other major currencies closed higher against the dollar, with EUR gaining the most. DXY fell by 0.1%. Investors will closely monitor the upcoming macro print from the US. INR strengthened amidst inflow of foreign funds and despite an increase in international oil prices. It is trading flat today, while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	23-02-2024	26-02-2024	% change
EUR/USD (1 EUR / USD)	1.0821	1.0851	0.3
GBP/USD (1 GBP / USD)	1.2672	1.2685	0.1
USD/JPY (JPY / 1 USD)	150.51	150.70	(0.1)
USD/INR (INR / 1 USD)	82.95	82.90	0.1
USD/CNY (CNY / 1 USD)	7.1964	7.1975	0

Source: Bloomberg, Bank of Baroda Research



- Barring yields in Asia, other global 10Y yields ended higher. Investors await ECB President Lagarde's remarks for policy guidance. Wage growth in UK and declining GfK consumer confidence has also raised uncertainty over timing BoE's rate cut cycle. India's 10Y yield fell by 1bps. However, it is trading a tad higher today at 7.07%.

**Fig 3 – Bond 10Y yield**

	23-02-2024	26-02-2024	change in bps
US	4.25	4.28	3
UK	4.04	4.16	13
Germany	2.36	2.44	8
Japan	0.72	0.69	(3)
China	2.40	2.38	(2)
India	7.08	7.06	(1)

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	23-02-2024	26-02-2024	change in bps
Tbill-91 days	7.03	6.95	(8)
Tbill-182 days	7.16	7.14	(2)
Tbill-364 days	7.13	7.11	(2)
G-Sec 2Y	7.06	7.03	(3)
India OIS-2M	6.76	6.76	0
India OIS-9M	6.75	6.73	(1)
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.30	5.31	1

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	23-02-2024	26-02-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	2.3	2.4	(0.1)
Reverse Repo	0	0	0
Repo	3.0	1.0	(2.0)

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	22-02-2024	23-02-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	37.2	336.0	298.8
Debt	59.9	148.8	88.9
Equity	(22.7)	187.2	209.9
Mutual funds (Rs cr)	(2,521.0)	(297.0)	2,224.0
Debt	(1,455.9)	(2,018.0)	(562.1)
Equity	(1,065.1)	1,721.0	2,786.1

Source: Bloomberg, Bank of Baroda Research, Note: Mutual fund data as of 21<sup>st</sup> and 22<sup>nd</sup> Feb 2024

- Oil prices rose, owing to supply side concerns (dip in US refinery output).

**Fig 7 – Commodities**

	23-02-2024	26-02-2024	% change
Brent crude (US\$/bbl)	81.6	82.5	1.1
Gold (US\$/ Troy Ounce)	2,035.4	2,031.2	(0.2)
Copper (US\$/ MT)	8,475.0	8,361.5	(1.3)
Zinc (US\$/MT)	2,366.5	2,382.6	0.7
Aluminium (US\$/MT)	2,180.0	2,180.0	0

Source: Bloomberg, Bank of Baroda Research



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