

MORNING MOCHA

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ECONOMIST
Sonal Badhan

Durable goods orders in the US fell by (-) 6.1% in Jan'24 versus est.: (-) 4.5% decline, and down from (-) 0.3% in Dec'23. This was largely led by (-) 58.9% decline in civilian aircraft orders. However, core capital goods orders (non-defence excl aircrafts) rose by 0.1% in Jan'24, following (-) 0.6% decline in Dec'23, supported by orders for computers, electronic products, appliances, and electrical equipment. US conference board consumer confidence data showed that sentiment fell in Feb'24 to 106.7 from 110.9 in Jan'24. This was driven by dip in both present situation and expectations index. Mixed macro data has further raised uncertainty around the timing and quantum of Fed's rate cuts. PCE data is awaited for more guidance.

- Global indices ended mixed. Dow Jones gave up gains and closed lower as investors cued in on the monthly PCE which is Fed's preferred inflation gauge. Nikkei ended flat. Shanghai Comp advanced ahead of the key manufacturing PMI reading. Sensex also ended in green pushed by gains in real estate and consumer durable stocks. It opened higher today, while other Asian stocks are trading lower.

Fig 1 – Stock markets

	26-02-2024	27-02-2024	% change
Dow Jones	39,069	38,972	(0.2)
S & P 500	5,070	5,078	0.2
FTSE	7,684	7,683	0
Nikkei	39,234	39,240	0
Hang Seng	16,635	16,791	0.9
Shanghai Comp	2,977	3,015	1.3
Sensex	72,790	73,095	0.4
Nifty	22,122	22,198	0.3

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. Dollar was steady as investors awaited for fresh cues. US Durable goods order declined at a much faster pace than anticipated (-6.1% vs est.: -4.5%). Yen strengthened amidst news of sticky inflation and raised expectation of possible pivot by BoJ. INR ended flat. It is trading at similar levels today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	26-02-2024	27-02-2024	% change
EUR/USD (1 EUR / USD)	1.0851	1.0844	(0.1)
GBP/USD (1 GBP / USD)	1.2685	1.2685	0
USD/JPY (JPY / 1 USD)	150.70	150.51	0.1
USD/INR (INR / 1 USD)	82.90	82.90	0
USD/CNY (CNY / 1 USD)	7.1975	7.1979	0

Source: Bloomberg, Bank of Baroda Research



- Except China, other global 10Y yields edged higher. Investors are expecting stronger US PCE data, due later this week. However, the gains in US treasury yield were limited by weakness in production and consumer confidence data. India's 10Y yield rose by 1bps, as oil prices inched up. However, it is trading a tad lower today at 7.06%.

Fig 3 – Bond 10Y yield

	26-02-2024	27-02-2024	change in bps
US	4.28	4.30	2
UK	4.16	4.20	3
Germany	2.44	2.46	2
Japan	0.69	0.69	1
China	2.38	2.38	0
India	7.06	7.07	1

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	26-02-2024	27-02-2024	change in bps
Tbill-91 days	6.95	6.90	(5)
Tbill-182 days	7.14	7.14	0
Tbill-364 days	7.11	7.12	1
G-Sec 2Y	7.03	7.03	(1)
India OIS-2M	6.76	6.78	2
India OIS-9M	6.73	6.74	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	26-02-2024	27-02-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	2.4	1.9	(0.5)
Reverse Repo	0	0	0
Repo	1.0	2.5	1.5

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	23-02-2024	26-02-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	336.0	38.1	(297.9)
Debt	148.8	69.1	(79.7)
Equity	187.2	(30.9)	(218.2)
Mutual funds (Rs cr)	(297.0)	(2,173.4)	(1,876.5)
Debt	(2,018.0)	(2,374.8)	(356.8)
Equity	1,721.0	201.4	(1,519.7)

Source: Bloomberg, Bank of Baroda Research, Note: Mutual fund data as of 22 and 23 Feb 2024

- Oil prices continue to inch up, as tensions in Red Sea region persist.

Fig 7 – Commodities

	26-02-2024	27-02-2024	% change
Brent crude (US\$/bbl)	82.5	83.7	1.4
Gold (US\$/ Troy Ounce)	2,031.2	2,030.5	0
Copper (US\$/ MT)	8,361.5	8,375.3	0.2
Zinc (US\$/MT)	2,382.6	2,375.3	(0.3)
Aluminium (US\$/MT)	2,180.0	2,191.5	0.5

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

Chief Economist

Bank of Baroda

chief.economist@bankofbaroda.com