

MORNING MOCHA

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ECONOMIST
Sonal Badhan

US GDP growth for Q4CY23 has been revised downward to 3.2% from 3.3% estimated earlier. This was largely due to lower than expected private inventory investment. However this was somewhat offset by upward revisions made to consumer and government spending. Stronger than anticipated consumption trends have revived fears of PCE probably coming in hotter than expected. Investors await more details on this, to gauge timing and quantum of Fed's rate cuts. Dip in weekly volume of mortgage applications (-5.6% for week ending 23 Feb) due to elevated mortgage rates is expected to hamper real estate sector's growth. Elsewhere, in Japan and Australia, stronger than expected retail sales in Jan'24 is likely to keep pressure on their respective Central Banks to keep their policy stance unchanged. Domestically, we expect GDP growth to come in at 6.4% for Q3FY24.

- Global indices ended mixed as investors remained cautious ahead of the release of key macro prints (US PCE, Eurozone inflation and China's PMI). Amongst other indices, Shanghai Comp dropped the most followed by Hang Seng. Sensex ended in red and was dragged down by losses in power and oil & gas stocks. It opened lower today, while other Asian stocks are trading lower.

Fig 1 – Stock markets

	27-02-2024	28-02-2024	% change
Dow Jones	38,972	38,949	(0.1)
S & P 500	5,078	5,070	(0.2)
FTSE	7,683	7,625	(0.8)
Nikkei	39,240	39,208	(0.1)
Hang Seng	16,791	16,537	(1.5)
Shanghai Comp	3,015	2,958	(1.9)
Sensex	73,095	72,305	(1.1)
Nifty	22,198	21,951	(1.1)

Source: Bloomberg, Bank of Baroda Research

- Barring INR and CNY (flat), other global currencies ended lower. Dollar firmed up by 0.1% with PCE data expected to influence timing of rate cut by Fed. Yen weakened as investors remained cautious of any possible intervention by the authorities. INR ended flat. It is trading stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	27-02-2024	28-02-2024	% change
EUR/USD (1 EUR / USD)	1.0844	1.0838	(0.1)
GBP/USD (1 GBP / USD)	1.2685	1.2662	(0.2)
USD/JPY (JPY / 1 USD)	150.51	150.69	(0.1)
USD/INR (INR / 1 USD)	82.90	82.93	0
USD/CNY (CNY / 1 USD)	7.1979	7.1980	0

Source: Bloomberg, Bank of Baroda Research



- Global 10Y yields closed mixed. US 10Y yield fell the most, following downwardly revised Q4CY23 GDP print. Investors also await PCE report for more cues on Fed's rate trajectory (~63% chance of rate cut in Jun'24). India's 10Y yield ended flat, awaiting domestic growth data. It is trading a tad lower today at 7.06%.

Fig 3 – Bond 10Y yield

	27-02-2024	28-02-2024	change in bps
US	4.30	4.26	(4)
UK	4.20	4.19	(1)
Germany	2.46	2.46	0
Japan	0.69	0.70	1
China	2.38	2.36	(2)
India	7.07	7.07	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	27-02-2024	28-02-2024	change in bps
Tbill-91 days	6.90	6.93	3
Tbill-182 days	7.14	7.16	2
Tbill-364 days	7.12	7.11	(1)
G-Sec 2Y	7.03	7.02	(1)
India OIS-2M	6.78	6.77	(1)
India OIS-9M	6.74	6.74	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	27-02-2024	28-02-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.9	1.9	0
Reverse Repo	0	0	0
Repo	2.5	2.5	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	26-02-2024	27-02-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	38.1	390.4	352.3
Debt	69.1	142.4	73.3
Equity	(30.9)	248.0	279.0
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 remain flat, dragged by build-up in US crude stockpiles.

Fig 7 – Commodities

	27-02-2024	28-02-2024	% change
Brent crude (US\$/bbl)	83.7	83.7	0
Gold (US\$/ Troy Ounce)	2,030.5	2,034.6	0.2
Copper (US\$/ MT)	8,375.3	8,354.8	(0.2)
Zinc (US\$/MT)	2,375.3	2,369.3	(0.3)
Aluminium (US\$/MT)	2,191.5	2,190.5	0

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