

MORNING MOCHA

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Bank of England kept its policy rates on hold, by a split vote. Notably, BoE has effectively ruled out further rate hikes, a stance it has maintained in its last meetings. Separately, US ISM manufacturing PMI improved more than expected to 49.1 (est. 47.0) from 47.1 in Dec'23, led by a sharp rebound in orders. On the other hand, jobless claims rose by 9,000 to 224,000 (est. 211,000), suggesting some softness in the labour market. In the Eurozone, CPI inflation inched down to 2.8% from 2.9% in Dec'23, in line with expectations. Core inflation moderated to 3.3% in Jan'24, lower than market estimates of 3.2%. In India, Interim Union Budget for FY25 reiterated the government's commitment to fiscal prudence with the fiscal deficit target for FY25 being sharply reduced to 5.1%. Higher capex spending, coupled with lower borrowing target for FY25 will be positive for investor sentiments.

- Global markets closed mixed. An interplay of factors such as timing of Fed rate cut, labour market in the US and mixed PMI readings, impacted investor sentiments. Dow Jones and S&P 500 were supported by robust earnings of major technology companies. Sensex fell by 0.1%, led by losses in metal and consumer durable stocks. It is trading higher today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	31-01-2024	01-02-2024	% change
Dow Jones	38,150	38,520	1.0
S & P 500	4,846	4,906	1.2
FTSE	7,631	7,622	(0.1)
Nikkei	36,287	36,011	(0.8)
Hang Seng	15,485	15,566	0.5
Shanghai Comp	2,789	2,771	(0.6)
Sensex	71,752	71,645	(0.1)
Nifty	21,726	21,697	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Except CNY, other global currencies ended higher. DXY fell by 0.2% ahead of US jobs report. EUR rose by 0.5% as Eurozone's core inflation was higher than expected. INR strengthened by 0.1% amidst upbeat sentiments after the Union Budget. It is trading further stronger today, in line with Asian peers.

Fig 2 – Currencies

	31-01-2024	01-02-2024	% change
EUR/USD (1 EUR / USD)	1.0818	1.0872	0.5
GBP/USD (1 GBP / USD)	1.2688	1.2744	0.4
USD/JPY (JPY / 1 USD)	146.92	146.43	0.3
USD/INR (INR / 1 USD)	83.04	82.98	0.1
USD/CNY (CNY / 1 USD)	7.1689	7.1805	(0.2)

Source: Bloomberg, Bank of Baroda Research



- Except China (stable), global yields closed lower. UK's 10Y yield fell the most followed by US and Japan. Investors have priced in easing financial conditions and it is reflected in the holding of sovereign securities. Germany's yield softened amidst easing inflation in the Eurozone. India's 10Y yield fell by 9bps as fiscal prudence is maintained. It is trading further lower at 7.04% today.

Fig 3 – Bond 10Y yield

	31-01-2024	01-02-2024	change in bps
US	3.91	3.88	(3)
UK	3.79	3.75	(5)
Germany	2.17	2.15	(2)
Japan	0.73	0.71	(3)
China	2.43	2.43	0
India	7.14	7.06	(9)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	30-01-2024	31-01-2024	change in bps
Tbill-91 days	7.02	7.01	(1)
Tbill-182 days	7.18	7.15	(3)
Tbill-364 days	7.15	7.09	(6)
G-Sec 2Y	7.00	6.98	(2)
India OIS-2M	6.76	6.75	(1)
India OIS-9M	6.63	6.61	(2)
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.31	5.32	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	31-01-2024	01-02-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	2.3	2.2	(0.1)
Reverse repo	0	0	0
Repo	2.5	2.5	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	30-01-2024	31-01-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	83.2	521.5	438.3
Debt	301.6	312.1	10.5
Equity	(218.3)	209.5	427.8
Mutual funds (Rs cr)	1,284.4	(1,326.0)	(2,610.4)
Debt	(2,145.5)	(2,017.0)	128.6
Equity	3,429.9	691.0	(2,739.0)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual funds data as of 29 Jan and 30 Jan 2024

- Oil prices softened amidst expectations of softening demand conditions.

Fig 7 – Commodities

	30-01-2024	31-01-2024	% change
Brent crude (US\$/bbl)	81.7	78.7	(3.7)
Gold (US\$/ Troy Ounce)	2,039.5	2,055.0	0.8
Copper (US\$/ MT)	8,500.5	8,425.5	(0.9)
Zinc (US\$/MT)	2,517.9	2,468.3	(2.0)
Aluminium (US\$/MT)	2,280.0	2,247.0	(1.4)

Source: Bloomberg, Bank of Baroda Research



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