

MORNING MOCHA

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Global markets remained closed on New Year's day, but Asian markets have seen a mixed opening today as China's official manufacturing PMI data shows deepening contraction in Dec'23. However, Caixin China manufacturing PMI, which mainly covers small and medium firms in its survey, showed that activity held ground in Dec'23 (50.8 versus 50.7 in Nov'23). Although, respondents still believe that tighter consumer budgets and sluggish global demand remains a key worry. Separately in Australia, manufacturing PMI suggests that activity fell at the sharpest rate since May'20, as the index dropped to 47.6 in Dec'23 from 47.7 in Nov'23. Deteriorating demand conditions remains a key drag, which in turn has led to job losses and increased stocks. This week, markets will follow India's 1st AE of FY24 GDP, PMIs of other major economies and also await FOMC minutes, non-farm payroll data for further guidance.

- Asian indices started the year on a mixed note with the official factory activity declining further and remaining in contraction in Dec'23 (49 from 49.4 in Nov'23). Sensex ended flat. Oil & gas and real estate stocks registered some gains. However, it is trading lower today, while Asian markets are trading mixed.

Fig 1 – Stock markets

	29-12-2023	1-1-2024	% change
Dow Jones	37,710	37,690	(0.1)
S & P 500	4,783	4,770	(0.3)
FTSE	7,723	7,733	0.1
Nikkei	33,540	33,464	(0.2)
Hang Seng	17,044	17,047	0
Shanghai Comp	2,955	2,975	0.7
Sensex	72,240	72,272	0
Nifty	21,731	21,742	0

Source: Bloomberg, Bank of Baroda Research| Note: Except India, all other markets were closed on 1.1.24

- Global currencies closed mixed. Investors expect DXY to remain steady even as they awaits further cues on interest rate outlook from Fed and other economic data. Investors have priced in 86% chance of rate cut beginning from Mar'24. INR ended flat. However, it is trading weaker today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	29-12-2023	1-1-2024	% change
EUR/USD (1 EUR / USD)	1.1039	1.1045	0.1
GBP/USD (1 GBP / USD)	1.2731	1.2727	0
USD/JPY (JPY / 1 USD)	141.04	140.89	0.1
USD/INR (INR / 1 USD)	83.21	83.24	0
USD/CNY (CNY / 1 USD)	7.1104	7.1000	0.1

Source: Bloomberg, Bank of Baroda Research| Note: Markets in China were closed on 1.1.24



- Apart from India, all other markets remained closed yesterday. India's 10Y yield rose by 2bps owing to supply side pressures. Higher than expected borrowing announcement by states played on investor sentiments. However, it is trading flat at 7.20% today, awaiting global cues.

Fig 3 – Bond 10Y yield

	29-12-2023	1-1-2024	change in bps
US	3.84	3.88	3
UK	3.49	3.54	4
Germany	1.94	2.02	8
Japan	0.60	0.61	2
China	2.57	2.56	(1)
India	7.17	7.20	2

Source: Bloomberg, Bank of Baroda Research| Note: Except India, all other markets were closed on 1.1.24

Fig 4 – Short term rates

	29-12-2023	1-1-2024	change in bps
Tbill-91 days	7.00	6.86	(14)
Tbill-182 days	7.08	7.09	1
Tbill-364 days	7.09	7.10	1
G-Sec 2Y	7.06	7.07	0
India OIS-2M	6.78	6.78	0
India OIS-9M	6.66	6.65	(1)
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.39	5.40	1

Source: Bloomberg, Bank of Baroda Research| Note: Except India, all other markets were closed on 1.1.24

Fig 5 – Liquidity

Rs tn	29-12-2023	1-1-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.9	1.3	(0.6)
Reverse repo	0	0	0
Repo	0	1.3	1.3

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	28-12-2023	29-12-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	785.1	417.9	(367.2)
Debt	105.4	164.3	58.9
Equity	679.7	253.6	(426.1)
Mutual funds (Rs cr)	(3,013.2)	406.1	3,419.3
Debt	(1,196.6)	(495.8)	700.8
Equity	(1,816.5)	901.9	2,718.4

Source: Bloomberg, Bank of Baroda Research

- Oil prices slipped. However, they opened 1% higher today, following military clashes in the Red Sea region and hopes of government stimulus in China.

Fig 7 – Commodities

	28-12-2023	29-12-2023	% change
Brent crude (US\$/bbl)	78.4	77.0	(1.7)
Gold (US\$/ Troy Ounce)	2,065.6	2,063.0	(0.1)
Copper (US\$/ MT)	8,530.3	8,463.9	(0.8)
Zinc (US\$/MT)	2,626.3	2,640.0	0.5
Aluminium (US\$/MT)	2,378.0	2,384.0	0.3

Source: Bloomberg, Bank of Baroda Research| Note: Al markets were closed on 1.1.24



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