

MORNING MOCHA

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ECONOMIST
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As US Fed begins its 2-day meeting today, it is largely expected to keep policy rates on hold. Investors will also look for guidance on timing of future rate cuts, as growth is easing slower than anticipated. Slew of other economic data points pertaining to labour market, manufacturing and services activity index, will also shed light on direction of US rates. Separately, similar economic strength is not currently visible in other major economies. For instance, in China, industrial profits fell by (-) 2.3% in CY23, following (-) 4.4% decline between Jan-Nov'23. In Australia, retail sales in Dec'23 fell by (-) 2.3% (MoM), after posting 1.6% increase in Nov'23. Most significant decline was noted in discretionary spending (mainly household items). Only sales of food recorded an increase in Dec'23.

- Barring FSTE (flat) and Shanghai Comp (lower), other global indices closed higher. US indices ended in green ahead of key economic reports including the jobs report and Fed rate decision. Gain in technology stocks provided further support. Sensex rebounded led by sharp gains in oil & gas and power stocks. However, it is trading lower today while other Asian indices are trading higher.

Fig 1 – Stock markets

	26-01-2024	29-01-2024	% change
Dow Jones	38,109	38,333	0.6
S & P 500	4,891	4,928	0.8
FTSE	7,635	7,633	0
Nikkei	35,751	36,027	0.8
Hang Seng	15,952	16,077	0.8
Shanghai Comp	2,910	2,883	(0.9)
Sensex	70,701	71,942	1.8
Nifty	21,353	21,738	1.8

Source: Bloomberg, Bank of Baroda Research| Note: Markets in India were closed on 26.01.2024

- Global currencies ended mixed. DXY gained by 0.2% awaiting Fed's rate decision and series of economic reports. GBP held steady ahead of BoE's decision. ECB closed lower amidst dovish commentary by ECB officials. INR is trading flat today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	26-01-2024	29-01-2024	% change
EUR/USD (1 EUR / USD)	1.0853	1.0833	(0.2)
GBP/USD (1 GBP / USD)	1.2703	1.2709	0
USD/JPY (JPY / 1 USD)	148.15	147.50	0.4
USD/INR (INR / 1 USD)	83.12	83.14	0
USD/CNY (CNY / 1 USD)	7.1774	7.1804	0

Source: Bloomberg, Bank of Baroda Research| Note: Markets in India were closed on 26.01.2024

- Except Japan and India, other global yields closed lower. 10Y yields in UK, US and Germany fell the most. Investors reacted to weak macro data from Europe



(Germany Ifo) and more than expected dip in Dallas Fed manufacturing index. They also await Fed's rate decision. India's 10Y yield closed broadly flat, as oil prices eased. It is trading a tad lower today at 7.16%.

Fig 3 – Bond 10Y yield

	26-01-2024	29-01-2024	change in bps
US	4.14	4.07	(6)
UK	3.96	3.88	(9)
Germany	2.30	2.24	(6)
Japan	0.72	0.72	1
China	2.50	2.49	(1)
India	7.18	7.17	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 26.01.2024

Fig 4 – Short term rates

	25-01-2024	29-01-2024	change in bps
Tbill-91 days	7.04	6.99	(5)
Tbill-182 days	7.16	7.16	0
Tbill-364 days	7.15	7.14	(1)
G-Sec 2Y	7.02	7.02	0
India OIS-2M	6.72	6.72	0
India OIS-9M	6.62	6.63	1
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.32	5.32	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 26.01.2024

Fig 5 – Liquidity

Rs tn	25-01-2024	29-01-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	2.6	2.7	0.1
Reverse repo	0	0	0
Repo	0	2.5	2.5

Source: RBI, Bank of Baroda Research | Note: Markets in India were closed on 26.01.2024

Fig 6 – Capital market flows

	24-01-2024	25-01-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(635.9)	654.7	1,290.6
Debt	16.7	44.7	28.0
Equity	(652.6)	610.0	1,262.6
Mutual funds (Rs cr)	(1,903.8)	(1,996.7)	(92.8)
Debt	(5,144.0)	(2,075.3)	3,068.7
Equity	3,240.2	78.7	(3,161.5)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 19 and 23 Jan 2024

- Oil prices fell as US\$ strengthened, and outweighed supply side concerns.

Fig 7 – Commodities

	26-01-2024	29-01-2024	% change
Brent crude (US\$/bbl)	83.6	82.4	(1.4)
Gold (US\$/ Troy Ounce)	2,018.5	2,033.2	0.7
Copper (US\$/ MT)	8,448.1	8,455.0	0.1
Zinc (US\$/MT)	2,570.5	2,545.0	(1.0)
Aluminium (US\$/MT)	2,274.5	2,264.5	(0.4)

Source: Bloomberg, Bank of Baroda Research



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