

MORNING MOCHA

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ECONOMIST
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Global manufacturing activity remains under duress, as contraction was reported in 23 out of 29 surveyed countries by Markit PMI. Global manufacturing PMI fell to 49 in Dec'23 from 49.3 in Nov'23. Downturn deepened in US (47.9 versus 49.4) and UK (46.2 versus 47.2). In Eurozone, pace of contraction eased a tad (44.4 versus 44.2), but the the biggest economies (Germany and France) continued to report faster pace of deteriorating conditions. In Asia, conditions seem to be slightly better. Singapore's Q4CY23 GDP rose by 2.8%, following 1% rise in Q3, mainly on account of gains made in manufacturing and construction sector. Domestically, RBI has issued new rules regarding declaration of dividends by banks. The proposed rules will be effective from FY25. It was suggested that net NPA ratio for a financial year for which dividend is announced, should be lower than 6%.

- Barring Dow Jones, other global indices ended lower. Investors await key payrolls report scheduled later this week, in order to gauge the timing of Fed rate cut. Fed is expected to hold rates in Jan'24 and start the rate cut cycle in Mar'24. Sensex ended lower and was dragged down by losses in cap goods and auto stocks. It is trading lower today in line with other Asian markets.

Fig 1 – Stock markets

	1-1-2024	2-1-2024	% change
Dow Jones	37,690	37,715	0.1
S & P 500	4,770	4,743	(0.6)
FTSE	7,733	7,722	(0.2)
Nikkei	33,540	33,464	(0.2)
Hang Seng	17,047	16,789	(1.5)
Shanghai Comp	2,975	2,962	(0.4)
Sensex	72,272	71,892	(0.5)
Nifty	21,742	21,666	(0.4)

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

- Global currencies closed lower. DXY rose to a near 2-week high (0.9%). Investors kept a close watch on factors such as elevated treasury yields and await the release of Fed minutes and monthly jobs report in order to gauge Fed's rate trajectory. INR depreciated despite a dip in oil prices. However, it is trading stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	1-1-2024	2-1-2024	% change
EUR/USD (1 EUR / USD)	1.1039	1.0942	(0.9)
GBP/USD (1 GBP / USD)	1.2731	1.2617	(0.9)
USD/JPY (JPY / 1 USD)	141.04	141.99	(0.7)
USD/INR (INR / 1 USD)	83.21	83.32	(0.1)
USD/CNY (CNY / 1 USD)	7.1000	7.1432	(0.6)

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



- Apart from China (flat), other global yields inched up, with 10Y yields of UK (+10bps) and US (+5bps) rising the most. Uncertainty around the timing and magnitude of Fed's rate cuts in CY24 impacted investor sentiments. In UK, the jump was driven by pared demand. India's 10Y yield also rose by 3bps, and is trading broadly stable today at 7.20%, as oil prices remain low.

Fig 3 – Bond 10Y yield

	1-1-2024	2-1-2024	change in bps
US	3.88	3.93	5
UK	3.54	3.64	10
Germany	2.02	2.07	4
Japan	0.60	0.61	2
China	2.56	2.57	0
India	7.17	7.21	3

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

Fig 4 – Short term rates

	1-1-2024	2-1-2024	change in bps
Tbill-91 days	7.00	6.84	(16)
Tbill-182 days	7.08	7.08	0
Tbill-364 days	7.09	7.09	0
G-Sec 2Y	7.06	7.07	1
India OIS-2M	6.78	6.80	2
India OIS-9M	6.66	6.68	2
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.40	5.38	(2)

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

Fig 5 – Liquidity

Rs tn	1-1-2024	2-1-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.3	1.2	(0.2)
Reverse repo	0	0	0
Repo	1.3	1.3	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	29-12-2023	1-1-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	417.9	40.8	(377.1)
Debt	164.3	10.4	(153.9)
Equity	253.6	30.4	(223.1)
Mutual funds (Rs cr)	(4,147.9)	1,252.3	5,400.2
Debt	(1,571.0)	(143.0)	1,428.0
Equity	(2,576.9)	1,395.3	3,972.2

Source: Bloomberg, Bank of Baroda Research| Note: Mutual fund data as of 28 Dec 2023 and 29 Dec 2023

- Oil prices started the year on a weak footing, amidst stronger US\$.

Fig 7 – Commodities

	29-12-2023	2-1-2024	% change
Brent crude (US\$/bbl)	77.0	75.9	(1.5)
Gold (US\$/ Troy Ounce)	2,063.0	2,059.0	(0.2)
Copper (US\$/ MT)	8,463.9	8,440.5	(0.3)
Zinc (US\$/MT)	2,640.0	2,600.5	(1.5)
Aluminium (US\$/MT)	2,384.0	2,335.5	(2.0)

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



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