

## MORNING MOCHA

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ECONOMIST  
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FOMC minutes of the Dec'23 meeting revealed, that while the members have acknowledged fading inflationary risks, they are now also concerned about of the impact of restrictive monetary policy on growth and employment. Fed Chair is of the view that US economy might skirt off recession, while some other members pointed out that recession is impending. Concerns were also raised that gradual cooling off in the labour market may turn into a "more abrupt downward shift conditions". The JOLTS survey shows that job opening in Nov'23 fell by 62k to 8.79mn from 8.8mn, dropping to lowest levels since Mar'21. US ISM manufacturing PMI also signals deteriorating conditions in Dec'23 (46.7, unchanged from last month). In Japan as well, manufacturing PMI indicates deepening contraction (47.9 versus 48.3).

- Barring Shanghai comp, other global indices ended lower. Investors closely monitored Fed minutes which reflected some uncertainty over the pace of rate cuts, than was initially anticipated. European indices also ended lower awaiting more cues. Sensex ended in red and was dragged down by losses in metal stocks. However, it is trading higher today while Asian indices are trading mixed.

**Fig 1 – Stock markets**

	2-1-2024	3-1-2024	% change
Dow Jones	37,715	37,430	(0.8)
S & P 500	4,743	4,705	(0.8)
FTSE	7,722	7,682	(0.5)
Nikkei	33,540	33,464	(0.2)
Hang Seng	16,789	16,646	(0.8)
Shanghai Comp	2,962	2,967	0.2
Sensex	71,892	71,357	(0.7)
Nifty	21,666	21,517	(0.7)

Source: Bloomberg, Bank of Baroda Research| Note: Markets in Japan remain closed

- Except INR (flat) and GBP (higher), other global currencies closed lower. DXY continue to strengthen (0.3%) with investors assessing the scale of rate cuts. Yen declined led by poor data print (factory activity contracted at steepest pace in 10-months). INR ended flat. However, it is trading weaker today, while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	2-1-2024	3-1-2024	% change
EUR/USD (1 EUR / USD)	1.0942	1.0922	(0.2)
GBP/USD (1 GBP / USD)	1.2617	1.2665	0.4
USD/JPY (JPY / 1 USD)	141.99	143.29	(0.9)
USD/INR (INR / 1 USD)	83.32	83.29	0
USD/CNY (CNY / 1 USD)	7.1432	7.1494	(0.1)

Source: Bloomberg, Bank of Baroda Research



- Global yields ended mixed. US 10Y yield was down by 1bps, as investors digested FOMC minutes, which hinted at ebbing inflation risks and a debate on possibility of US entering a recession due to overtightening. India's 10Y yield also rose a tad (1bps), as oil prices remain on upward trajectory. It is trading slightly lower today at 7.21%.

**Fig 3 – Bond 10Y yield**

	2-1-2024	3-1-2024	change in bps
US	3.93	3.92	(1)
UK	3.64	3.64	0
Germany	2.07	2.02	(4)
Japan	0.60	0.61	2
China	2.57	2.56	(1)
India	7.21	7.22	1

Source: Bloomberg, Bank of Baroda Research| Note: Markets in Japan remain closed

**Fig 4 – Short term rates**

	2-1-2024	3-1-2024	change in bps
Tbill-91 days	6.84	6.93	9
Tbill-182 days	7.08	7.14	6
Tbill-364 days	7.09	7.11	2
G-Sec 2Y	7.07	7.07	0
India OIS-2M	6.80	6.80	0
India OIS-9M	6.68	6.70	2
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.38	5.40	2

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	2-1-2024	3-1-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.2	1.2	0
Reverse repo	0	0	0
Repo	1.3	1.3	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	1-1-2024	2-1-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	40.8	305.4	264.5
Debt	10.4	114.0	103.6
Equity	30.4	191.4	161.0
Mutual funds (Rs cr)	1,252.3	786.1	(466.2)
Debt	(143.0)	(102.6)	40.4
Equity	1,395.3	888.7	(506.6)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual fund data as of 29 Dec 2023 and 1 Jan 2024

- Oil prices jumped, following supply side tensions (Libya and Israel-Gaza war).

**Fig 7 – Commodities**

	2-1-2024	3-1-2024	% change
Brent crude (US\$/bbl)	75.9	78.3	3.1
Gold (US\$/ Troy Ounce)	2,059.0	2,041.5	(0.8)
Copper (US\$/ MT)	8,440.5	8,418.5	(0.3)
Zinc (US\$/MT)	2,600.5	2,565.0	(1.4)
Aluminium (US\$/MT)	2,335.5	2,312.5	(1.0)

Source: Bloomberg, Bank of Baroda Research



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