

MORNING MOCHA

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Dipanwita Mazundar

Global market indices reacted differently to different outcomes. On macro front, US non-farm payroll rose at a solid pace, adding 353K in Jan'24 against expectation of 185K. Average hourly earnings remained sticky rising by 0.6% on MoM basis (est.: 0.3%). University of Michigan's 1 and 5 year inflation expectation index also remained firm. Fed Chair in his recent interview pushed off expectation of rate cut in Mar'24. In other developments, Japan's services PMI inched up to 53.1 in Jan'24 from 51.5 in Dec'23, led by higher business confidence. The Caixin PMI services data of China remained above the 50 mark at 52.7, albeit a notch down from 52.9 in Dec'23. China's Securities Regulatory Commission again vowed to prevent market fluctuation. In Japan, BoJ offered to purchase bonds, in an effort to check gains in short term rates. On domestic front, RBI's policy would be closely monitored.

- Global stocks ended mixed. Investors' focus remained on the changing narrative around Fed rate cuts. US indices ended higher as tech giants reported strong earnings. Stocks in China tumbled despite government's attempts to stabilize the market. Sensex rose by 0.6%, led by gains in oil and gas stocks. It is trading further higher today, while other Asian stocks are mostly trading lower.

Fig 1 – Stock markets

	01-02-2024	02-02-2024	% change
Dow Jones	38,520	38,654	0.3
S & P 500	4,906	4,959	1.1
FTSE	7,622	7,616	(0.1)
Nikkei	36,011	36,158	0.4
Hang Seng	15,566	15,534	(0.2)
Shanghai Comp	2,771	2,730	(1.5)
Sensex	71,645	72,086	0.6
Nifty	21,697	21,854	0.7

Source: Bloomberg, Bank of Baroda Research

- Except INR, other global currencies weakened against the dollar. DXY jumped up by 0.8% as robust jobs report pushed back the possibility of Fed rate cuts in Mar'24. JPY depreciated the most by 1.3%. INR appreciated by 0.1% supported by lower oil prices and optimism over Budget announcements. However, it is trading weaker today, in line with other Asian currencies.

Fig 2 – Currencies

	01-02-2024	02-02-2024	% change
EUR/USD (1 EUR / USD)	1.0872	1.0788	(0.8)
GBP/USD (1 GBP / USD)	1.2744	1.2631	(0.9)
USD/JPY (JPY / 1 USD)	146.43	148.38	(1.3)
USD/INR (INR / 1 USD)	82.98	82.93	0.1
USD/CNY (CNY / 1 USD)	7.1805	7.1935	(0.2)

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. US 10Y yield rose at the sharpest pace by 14bps as rate cut expectations have been brushed aside for the Mar'24 meeting. The effect was felt in other economies such as UK and Germany. After the Budget phenomenon, India's 10Y yield stabilised. It is trading higher at 7.09% today, as RBI surprised the market with a 4-day VRRR announcement.

Fig 3 – Bond 10Y yield

	01-02-2024	02-02-2024	change in bps
US	3.88	4.02	14
UK	3.75	3.92	17
Germany	2.15	2.24	9
Japan	0.71	0.67	(3)
China	2.43	2.43	(1)
India	7.06	7.06	(0)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	01-02-2024	02-02-2024	change in bps
Tbill-91 days	7.01	7.00	(1)
Tbill-182 days	7.15	7.14	(1)
Tbill-364 days	7.09	7.11	2
G-Sec 2Y	6.98	6.99	1
India OIS-2M	6.75	6.72	(3)
India OIS-9M	6.61	6.60	(1)
SONIA int rate benchmark	5.19	5.19	(0)
US SOFR	5.32	5.32	-

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	01-02-2024	02-02-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	2.2	1.4	(0.8)
Reverse repo	0	0	0
Repo	2.5	2.5	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	31-01-2024	01-02-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	521.5	311.0	(210.5)
Debt	312.1	273.4	(38.7)
Equity	209.5	37.7	(171.8)
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

- Oil prices fell amidst demand concerns as expectations of Fed rate cut receded.

Fig 7 – Commodities

	01-02-2024	02-02-2024	% change
Brent crude (US\$/bbl)	78.7	77.3	(1.7)
Gold (US\$/ Troy Ounce)	2,055.0	2,039.8	(0.7)
Copper (US\$/ MT)	8,425.5	8,374.3	(0.6)
Zinc (US\$/MT)	2,468.3	2,440.2	(1.1)
Aluminium (US\$/MT)	2,247.0	2,233.5	(0.6)

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

Chief Economist

Bank of Baroda

chief.economist@bankofbaroda.com