

MORNING MOCHA

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On macro front, China's inflation data remained worrisome. Producer prices remained in deflation for the 16th straight month falling by 2.5% in Jan'24, on YoY basis. The consumer prices of the region have fallen by 0.8%, which is the weakest pace since Sep'09. Thus in terms of stimulus rather than a piecemeal approach, a holistic response is required on part of the regulators to lift the economy. Elsewhere, Boston Fed President also remained less dovish speaking of more evidence to see inflation reaching the target level. Thus, looking at rate cuts later this year. ECB Board member also spoke of the fact the last mile disinflation may be tough. On domestic front, RBI will be adopting a cautious pause. Any guidance on liquidity would impact both short and long end part of the yield curve.

- Global stocks ended mixed. Shanghai Comp rose the most as the government stepped up its defence of the faltering stock market. Elsewhere, stocks in US rose, with the S&P 500 scaling a new record-high, supported by robust earnings reports. On the other hand, FTSE slipped by 0.7% led by losses in blue-chip stocks. Sensex ended flat as gains in real estate stocks were offset by losses in tech stocks. However, it is trading higher today, in line with its Asian peers.

Fig 1 – Stock markets

	06-02-2024	07-02-2024	% change
Dow Jones	38,521	38,677	0.4
S & P 500	4,954	4,995	0.8
FTSE	7,681	7,629	(0.7)
Nikkei	36,161	36,120	(0.1)
Hang Seng	16,137	16,082	(0.3)
Shanghai Comp	2,789	2,830	1.4
Sensex	72,186	72,152	0
Nifty	21,929	21,931	0

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed against the dollar. DXY dipped by 0.2% as focus shifted to US CPI report due next week. GBP rose as rising home prices in UK suggest that rate cuts might be far away. EUR too rose, despite a sharp decline in Germany's industrial production in Dec'23. INR appreciated by 0.1%. It is trading further stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	06-02-2024	07-02-2024	% change
EUR/USD (1 EUR / USD)	1.0755	1.0772	0.2
GBP/USD (1 GBP / USD)	1.2598	1.2626	0.2
USD/JPY (JPY / 1 USD)	147.94	148.18	(0.2)
USD/INR (INR / 1 USD)	83.06	82.97	0.1
USD/CNY (CNY / 1 USD)	7.1901	7.1949	(0.1)

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. Yields in US, UK and Germany were influenced by the fact that a delayed start to the rate cut cycle is reflected from speeches of central bank officials'. China's 10Y yield fell by 3bps awaiting more stimulus. India's 10Y yield fell by 2bps. It is trading lower at 7.05% today, ahead of the policy.

Fig 3 – Bond 10Y yield

	06-02-2024	07-02-2024	change in bps
US	4.10	4.12	2
UK	3.95	3.99	4
Germany	2.29	2.32	2
Japan	0.72	0.72	(1)
China	2.46	2.42	(3)
India	7.09	7.07	(2)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	06-02-2024	07-02-2024	change in bps
Tbill-91 days	7.03	7.01	(2)
Tbill-182 days	7.09	7.14	5
Tbill-364 days	7.13	7.11	(2)
G-Sec 2Y	7.01	7.01	0
India OIS-2M	6.74	6.73	(1)
India OIS-9M	6.63	6.63	(0)
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.31	5.31	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	06-02-2024	07-02-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.0	1.5	0.5
Reverse repo	0	0	0
Repo	2.7	2.7	0.2

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	05-02-2024	06-02-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	196.7	323.7	127.0
Debt	104.8	380.6	275.8
Equity	91.9	(56.9)	(148.8)
Mutual funds (Rs cr)	(2,041.2)	(2,912.6)	(871.4)
Debt	(3,463.2)	(1,397.3)	2,065.9
Equity	1,422.0	(1,515.3)	(2,937.3)

Source: Bloomberg, Bank of Baroda Research, Note: Mutual fund data as of 2nd and 5th Feb 2024

- Oil prices increased as US crude inventories rose less than expected.

Fig 7 – Commodities

	06-02-2024	07-02-2024	% change
Brent crude (US\$/bbl)	78.6	79.2	0.8
Gold (US\$/ Troy Ounce)	2,036.1	2,035.4	(0.0)
Copper (US\$/ MT)	8,293.3	8,198.7	(1.1)
Zinc (US\$/MT)	2,417.0	2,391.0	(1.1)
Aluminium (US\$/MT)	2,230.5	2,222.0	(0.4)

Source: Bloomberg, Bank of Baroda Research



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