

MORNING MOCHA

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Inflation in US remained sticky, reinforcing the belief that the Fed is likely to remain on a wait and watch mode before easing monetary policy. CPI inflation in US rose by 3.2% on a YoY basis in Feb'24, higher than an estimated 3.1% increase. Core CPI remained sticky at 3.8% from 3.9% in Jan'24. Even in India, CPI inflation was unchanged at 5.1% in Feb'24. Food inflation picked up, led by vegetables and fruits, even as core inflation moderated further. On the other hand, inflation in Germany eased to 2.5% in Feb'24 from 2.9% in Jan'24 (YoY), led by lower energy and food prices. Separately, UK's unemployment rate rose to 3.9% in Nov'23 to Jan'24 from 3.8% in the period Oct'23 to Dec'23. Average earnings decelerated to 6.1% from 6.2% in the same period, suggesting that underlying price pressures are easing.

- Except Nikkei and Shanghai Comp (lower), global stocks closed higher. Investors digested the stickiness in US inflation, which has reinforced the view of watchful approach from Fed. Stocks in Japan traded cautiously tracking spring wage negotiations. China's stock market was impacted by news of strains in the property sector. Sensex inched up, led by technology stocks. It is trading further higher today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	11-03-2024	12-03-2024	% change
Dow Jones	38,770	39,005	0.6
S & P 500	5,118	5,175	1.1
FTSE	7,669	7,748	1.0
Nikkei	38,820	38,798	(0.1)
Hang Seng	16,588	17,094	3.1
Shanghai Comp	3,068	3,056	(0.4)
Sensex	73,503	73,668	0.2
Nifty	22,333	22,336	0

Source: Bloomberg, Bank of Baroda Research

- Most global currencies traded in narrow ranges as investors assessed Fed rate path. DXY was 0.1% higher, as inflation in US remained sticky. GBP fell as UK's labour markets showed signs of softening. JPY too depreciated by 0.5% as BoJ Governor expressed concerns over the economy. INR ended broadly flat, but is trading weaker today. Other Asian currencies are also trading lower.

Fig 2 – Currencies

	11-03-2024	12-03-2024	% change
EUR/USD (1 EUR / USD)	1.0926	1.0927	0
GBP/USD (1 GBP / USD)	1.2814	1.2793	(0.2)
USD/JPY (JPY / 1 USD)	146.95	147.68	(0.5)
USD/INR (INR / 1 USD)	82.77	82.78	0
USD/CNY (CNY / 1 USD)	7.1814	7.1826	0

Source: Bloomberg, Bank of Baroda Research



- Except UK (lower), global yields closed higher. US 10Y yield rose the most as core CPI reading topped estimates. 10Y yield in Germany also firmed up despite ECB officials hinting at initiating rate cuts in spring this year. In UK, 10Y yield eased as average weekly earnings softened. India's 10Y yield rose a tad by 1bps. It is trading at the same level today.

Fig 3 – Bond 10Y yield

	11-03-2024	12-03-2024	change in bps
US	4.10	4.15	5
UK	3.97	3.95	(2)
Germany	2.30	2.33	3
Japan	0.76	0.77	1
China	2.31	2.35	4
India	7.02	7.03	1

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	11-03-2024	12-03-2024	change in bps
Tbill-91 days	6.89	6.84	(5)
Tbill-182 days	7.10	7.08	(2)
Tbill-364 days	7.06	7.04	(2)
G-Sec 2Y	7.00	7.02	2
India OIS-2M	6.77	6.77	0
India OIS-9M	6.73	6.73	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	11-03-2024	12-03-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.3	0.1	(0.2)
Reverse Repo	0	0	0
Repo	0.5	0.5	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	07-03-2024	11-03-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	1,808.5	518.1	(1,290.5)
Debt	529.4	40.9	(488.5)
Equity	1,279.2	477.2	(801.9)
Mutual funds (Rs cr)	2,057.7	1,726.4	(331.3)
Debt	341.2	(866.2)	(1,207.3)
Equity	1,716.5	2,592.5	876.0

Source: Bloomberg, Bank of Baroda Research

- Oil prices declined as EIA projected a higher US oil output in 2024.

Fig 7 – Commodities

	11-03-2024	12-03-2024	% change
Brent crude (US\$/bbl)	82.2	81.9	(0.4)
Gold (US\$/ Troy Ounce)	2,182.8	2,158.3	(1.1)
Copper (US\$/ MT)	8,559.7	8,560.7	0
Zinc (US\$/MT)	2,533.0	2,523.7	(0.4)
Aluminium (US\$/MT)	2,259.0	2,265.0	0.3

Source: Bloomberg, Bank of Baroda Research



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