

MORNING MOCHA

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ECONOMIST
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PPI inflation in US rose by 0.6% in Feb'24 on a MoM basis, beating estimates of a 0.3% increase, led by higher gasoline prices. Retail sales on the other hand, missed estimates and increased by 0.6% in Feb'24 (est. 0.8% increase). Sales in both Jan'24 and Dec'23 were revised lower. Weekly jobless claims fell to 209,000 (est. 219,000), attesting to the strength of labour market. The Fed is likely to be in a wait and watch mode as it assesses the growth and inflation dynamics. In China, the PBOC kept interest rate on 1Y medium term lending facility (MLF) loans unchanged at 2.5%. Separate data showed that stress in the property sector continued with new home prices declining by 1.4% in Feb'24, after falling by 0.7% in Jan'24 on a YoY basis.

- Most global stock indices closed lower. Higher than expected PPI inflation and increase in jobless claims in the US again raised doubts about the timing and quantum of rate cut by Fed. In other news, Japan's FM pointed out that the economy is no longer in deflation. Thus, investors have already priced in a pivot by BoJ which pushed Nikkei higher. Sensex rose by 0.5%, led by oil and gas stocks. It is trading lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	13-03-2024	14-03-2024	% change
Dow Jones	39,043	38,906	(0.4)
S & P 500	5,165	5,150	(0.3)
FTSE	7,772	7,743	(0.4)
Nikkei	38,696	38,807	0.3
Hang Seng	17,082	16,962	(0.7)
Shanghai Comp	3,044	3,038	(0.2)
Sensex	72,762	73,097	0.5
Nifty	21,998	22,147	0.7

Source: Bloomberg, Bank of Baroda Research

- Except INR, other global currencies ended weaker against the dollar. DXY rose by 0.6%, following a jump in US treasury yields. Amongst major currencies, EUR depreciated the most by 0.6%, followed by JPY (down by 0.4%). INR was marginally stronger, supported by gains in local equity markets. However, in line with other Asian currencies, it is trading weaker today.

Fig 2 – Currencies

	13-03-2024	14-03-2024	% change
EUR/USD (1 EUR / USD)	1.0948	1.0883	(0.6)
GBP/USD (1 GBP / USD)	1.2797	1.2753	(0.3)
USD/JPY (JPY / 1 USD)	147.76	148.33	(0.4)
USD/INR (INR / 1 USD)	82.86	82.83	0
USD/CNY (CNY / 1 USD)	7.1868	7.1943	(0.1)

Source: Bloomberg, Bank of Baroda Research



- Except India (stable), global yields closed higher. US 10Y yield rose by 10bps as PPI and jobless claims reading reflected strength of the economy. The reverberation was felt in 10Y yields of UK and Germany. Thus, even after ECB Chief Economist hinting at a delayed start to the rate cut cycle, Germany's 10Y yield increased. India's 10Y is trading at 7.05% today.

Fig 3 – Bond 10Y yield

	13-03-2024	14-03-2024	change in bps
US	4.19	4.29	10
UK	4.02	4.09	7
Germany	2.37	2.43	6
Japan	0.77	0.78	1
China	2.34	2.35	1
India	7.04	7.04	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	13-03-2024	14-03-2024	change in bps
Tbill-91 days	6.87	6.85	(2)
Tbill-182 days	7.12	7.09	(3)
Tbill-364 days	7.09	7.08	(1)
G-Sec 2Y	7.03	7.04	1
India OIS-2M	6.76	6.76	0
India OIS-9M	6.74	6.74	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	13-03-2024	14-03-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.1)	(0.3)	(0.2)
Reverse Repo	0	0	0
Repo	0.5	0.5	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	12-03-2024	13-03-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	285.4	1,856.6	1,571.3
Debt	299.4	97.7	(201.7)
Equity	(14.0)	1,759.0	1,772.9
Mutual funds (Rs cr)	(3,379.6)	532.7	3,912.3
Debt	(5,353.5)	(1,681.0)	3,672.6
Equity	1,973.9	2,213.7	239.8

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 11 Mar 2024 and 12 Mar 2024

- Oil prices rose as IEA projected tight supplies and higher oil demand in 2024.

Fig 7 – Commodities

	13-03-2024	14-03-2024	% change
Brent crude (US\$/bbl)	84.0	85.4	1.7
Gold (US\$/ Troy Ounce)	2,174.4	2,162.2	(0.6)
Copper (US\$/ MT)	8,833.5	8,783.3	(0.6)
Zinc (US\$/MT)	2,537.3	2,509.6	(1.1)
Aluminium (US\$/MT)	2,264.0	2,251.5	(0.6)

Source: Bloomberg, Bank of Baroda Research



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