

MORNING MOCHA

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ECONOMIST

Jahnavi Prabhakar

Investors closely monitored the rate decision by global central banks. Fed maintained status quo and the 'dot plot' reflected the possibility of 3-rate cut this year. BoE also hinted at the likelihood of rate cuts. Swiss National Bank sprang into action as it announced a 25bps rate cut. On the other hand, BoJ ended the negative interest rate cycle after 17-years. The focus in the ongoing holiday-shortened week will shift towards PCE data. In Jan'24, headline PCE and core PCE inflation was at 2.4% and 2.8% respectively. It is expected to inch up to 2.5%. Thus, remaining far off from the Fed's target of 2%. Separately in Japan, services PPI edged up to 2.1% in Feb'24 (same rate as Jan'24).

- Global stock indices ended lower. Post the rally in US indices, the week started on a sombre note as investors tried to assess the future path of interest rate ahead of the release of key inflation figure. Amongst other indices, Nikkei (1.2%) dropped the most followed by losses in Shanghai Comp (0.7%). Sensex is trading lower in the morning session today while other Asian indices are trading mixed.

Fig 1 – Stock markets

	22-03-2024	25-03-2024	% change
Dow Jones	39,476	39,314	(0.4)
S & P 500	5,234	5,218	(0.3)
FTSE	7,931	7,918	(0.2)
Nikkei	40,888	40,414	(1.2)
Hang Seng	16,499	16,474	(0.2)
Shanghai Comp	3,048	3,026	(0.7)
Sensex	72,641	72,832	0.3
Nifty	22,012	22,097	0.4

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 25.03.2024

- Except JPY (flat) and INR (lower), other global currencies closed higher against the dollar. DXY fell by another 0.2%, as investors assess Fed's rate cut trajectory. Dip in new home sales has increased the probability of rate cut in Jun'24. INR depreciated further. However it is trading much stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	22-03-2024	25-03-2024	% change
EUR/USD (1 EUR / USD)	1.0809	1.0837	0.3
GBP/USD (1 GBP / USD)	1.2603	1.2636	0.3
USD/JPY (JPY / 1 USD)	151.36	151.42	0)
USD/INR (INR / 1 USD)	83.15	83.43	(0.3)
USD/CNY (CNY / 1 USD)	7.2292	7.2114	0.2

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 25.03.2024



- Barring Japan, other global 10Y yields inched up. Remarks of Fed Chair Powell are keenly awaited to gauge the timing of Fed's first rate cut. There is 65% chance of a rate cut in Jun'24. India's 10Y yield rose by 5bps, as oil price increase picks up pace. It is trading at similar level (7.09%) today.

Fig 3 – Bond 10Y yield

	22-03-2024	25-03-2024	change in bps
US	4.20	4.25	5
UK	3.93	3.99	6
Germany	2.32	2.37	5
Japan	0.74	0.73	(1)
China	2.31	2.32	1
India	7.05	7.09	5

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 25.03.2024

Fig 4 – Short term rates

	21-03-2024	22-03-2024	change in bps
Tbill-91 days	6.87	7.06	19
Tbill-182 days	7.09	7.10	1
Tbill-364 days	7.07	7.07	0
G-Sec 2Y	7.03	7.10	7
India OIS-2M	6.76	6.78	2
India OIS-9M	6.76	6.78	2
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	21-03-2024	22-03-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.0	1.4	0.4
Reverse Repo	0	0	0
Repo	0	0.5	0.5

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	20-03-2024	21-03-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(10.0)	(46.4)	(36.4)
Debt	259.8	113.2	(146.6)
Equity	(269.9)	(159.6)	110.3
Mutual funds (Rs cr)	(1,163.8)	6,195.1	7,358.9
Debt	(2,593.5)	263.8	2,857.3
Equity	1,429.7	5,931.3	4,501.6

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 18 Mar 2024 and 19 Mar 2024

- Oil prices gather momentum over fears of tight supply (Russia's production cuts and refinery attacks).

Fig 7 – Commodities

	22-03-2024	25-03-2024	% change
Brent crude (US\$/bbl)	85.4	86.8	1.5
Gold (US\$/ Troy Ounce)	2,165.4	2,171.8	0.3
Copper (US\$/ MT)	8,756.0	8,757.6	0
Zinc (US\$/MT)	2,440.8	2,448.9	0.3
Aluminium (US\$/MT)	2,309.0	2,326.0	0.7

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

Chief Economist

Bank of Baroda

+91 22 6698 5143

chief.economist@bankofbaroda.com