

## MORNING MOCHA

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ECONOMIST

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US macro data again raised doubts about the timing of rate cut. ISM services index softened to 52.6 in Feb'24 from 53.4 in Jan'24. Even prices and employment index moderated. This led US 10Y yield close lower by another 6bps. The reverberation was felt in 10Y yield of other economies. Elsewhere, equity markets reacted negatively to China's bullish growth target. Investors were anticipating more sector specific fiscal measures. In Japan, OIS traders are pricing in 53% probability of a pivot by BoJ. On domestic front, India was included in the Bloomberg EM Local Currency Government Bond Index. This holds positive for yields, already FII inflows into debt has been at US\$ 5.1bn in CYTD24. From Jun'24 onwards (JP Morgan Index) with more flows, India's 10Y yield may reach below the 7% mark as well.

- Except China and UK, stocks elsewhere closed weaker. US stocks fell amidst weak macro data (ISM services PMI and factory orders). Tech stocks led the fall. Focus was also on China's annual policy meeting which failed to buoy market sentiments. Amongst other indices, Hang Seng fell the most by 2.6%. Sensex declined by 0.3%, led by fall in tech stocks. However it is trading stronger today, while other Asian stocks are trading mostly lower.

**Fig 1 – Stock markets**

	04-03-2024	05-03-2024	% change
Dow Jones	38,990	38,585	(1.0)
S & P 500	5,131	5,079	(1.0)
FTSE	7,640	7,646	0.1
Nikkei	40,109	40,098	(0.0)
Hang Seng	16,596	16,163	(2.6)
Shanghai Comp	3,039	3,048	0.3
Sensex	73,872	73,677	(0.3)
Nifty	22,406	22,356	(0.2)

Source: Bloomberg, Bank of Baroda Research, Sensex previous day close as of 2 Mar 2024

- Global currencies traded in thin ranges as investors' focus remained on Fed Chair's testimony. DXY was marginally lower as US ISM services activity moderated. JPY strengthened by 0.3% after a firm CPI reading. INR, EUR and CNY ended flat. INR is trading broadly flat today as well, while other Asian currencies are trading higher.

**Fig 2 – Currencies**

	04-03-2024	05-03-2024	% change
EUR/USD (1 EUR / USD)	1.0856	1.0857	0.0
GBP/USD (1 GBP / USD)	1.2692	1.2705	0.1
USD/JPY (JPY / 1 USD)	150.53	150.05	0.3
USD/INR (INR / 1 USD)	82.89	82.90	(0.0)
USD/CNY (CNY / 1 USD)	7.1989	7.1965	0.0

Source: Bloomberg, Bank of Baroda Research



- Global yields closed lower tracking weaker macro prints in the US (ISM index and durable goods orders). UK's 10Y yield has fallen sharply as investor's remained cautious ahead of Budget announcements. India's 10Y yield closed stable but may see a downward bias going forward. It is trading at 7.05% today.

**Fig 3 – Bond 10Y yield**

	04-03-2024	05-03-2024	change in bps
US	4.21	4.15	(6)
UK	4.12	4.01	(11)
Germany	2.39	2.32	(7)
Japan	0.72	0.71	(1)
China	2.36	2.33	(3)
India	7.06	7.06	(0)

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	04-03-2024	05-03-2024	change in bps
Tbill-91 days	6.93	6.91	(2)
Tbill-182 days	7.12	7.14	2
Tbill-364 days	7.09	7.10	1
G-Sec 2Y	7.02	7.03	1
India OIS-2M	6.79	6.77	(2)
India OIS-9M	6.75	6.75	(0)
SONIA int rate benchmark	5.19	5.19	(0)
US SOFR	5.31	5.31	-

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	04-03-2024	05-03-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.4)	(0.6)	(0.2)
Reverse Repo	0	0	0
Repo	1.0	1.2	0.2

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	01-03-2024	04-03-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	235.9	68.2	(167.7)
Debt	(26.1)	69.7	95.8
Equity	262.0	(1.5)	(263.4)
Mutual funds (Rs cr)	3,168.9	(3.3)	(3,172.1)
Debt	(904.7)	0.4	905.2
Equity	4,073.6	(3.7)	(4,077.3)

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 1<sup>st</sup> and 2<sup>nd</sup> Mar 2024

- Oil prices fell as investors remained pessimistic on China's growth prospects.

**Fig 7 – Commodities**

	04-03-2024	05-03-2024	% change
Brent crude (US\$/bbl)	82.8	82.0	(0.9)
Gold (US\$/ Troy Ounce)	2,114.5	2,128.0	0.6
Copper (US\$/ MT)	8,455.9	8,400.8	(0.7)
Zinc (US\$/MT)	2,404.8	2,414.5	0.4
Aluminium (US\$/MT)	2,234.0	2,228.5	(0.2)

Source: Bloomberg, Bank of Baroda Research



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