

## MORNING MOCHA

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ECONOMIST

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The expectations of rate cut by Fed in Mar'24 has regained prominence (likelihood of rate cut at 79.5% from 73.2% in the previous week) given softer than expected PPI print (-0.1% in Dec'23 against expectation of +0.1%). Elsewhere, PBoC defied market expectation and kept the interest rate unchanged for medium term lending facility at 2.5%. On the domestic front, CPI inflation rose to a 4-month high to 5.69% for Dec'23 led by food inflation which remained sticky at 9.5%. However, some moderation in prices is expected in the coming months. Investors this week will closely watch China's GDP print for Q4CY23, industrial production, retail sales, unemployment and inflation figures for Japan scheduled to release later this week.

- Global markets ended mixed. Investors in US monitored the quarterly earnings and better than expected PPI report. Nikkei continue to climb higher supported by gains in machinery, precision instrument and shipbuilding sectors. Sensex jumped by 1.2% to an all-time high led by strong gains in IT stocks. It is trading further higher today while other Asian stocks are trading lower.

**Fig 1 – Stock markets**

	11-01-2024	12-01-2024	% change
Dow Jones	37,711	37,593	(0.3)
S & P 500	4,780	4,784	0.1
FTSE	7,577	7,625	0.6
Nikkei	35,050	35,577	1.5
Hang Seng	16,302	16,245	(0.4)
Shanghai Comp	2,887	2,882	(0.2)
Sensex	71,721	72,568	1.2
Nifty	21,647	21,895	1.1

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. DXY was up by 0.1%, owing to heightened geo-political risks (US & UK warplanes engaging in Yemen). EUR and GBP fell the most, while JPY also gained on safe haven demand. INR was up by 0.1%. It is trading further higher today, while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	11-01-2024	12-01-2024	% change
EUR/USD (1 EUR / USD)	1.0972	1.0951	(0.2)
GBP/USD (1 GBP / USD)	1.2760	1.2753	(0.1)
USD/JPY (JPY / 1 USD)	145.29	144.88	0.3
USD/INR (INR / 1 USD)	83.03	82.92	0.1
USD/CNY (CNY / 1 USD)	7.1667	7.1675	0

Source: Bloomberg, Bank of Baroda Research

- Except yields in Asia (flat/higher), global yields elsewhere closed lower. 10Y yields of UK and Germany fell the most. Weakness in China's trade data and more than expected drop in US PPI drove investor sentiments. India's 10Y yield



was up by 2bps, as oil prices build up. However, following global cues, it is trading much lower today at 7.14%.

**Fig 3 – Bond 10Y yield**

	11-01-2024	12-01-2024	change in bps
US	3.97	3.94	(3)
UK	3.84	3.79	(5)
Germany	2.24	2.18	(5)
Japan	0.60	0.61	0
China	2.50	2.52	2
India	7.16	7.18	2

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	11-01-2024	12-01-2024	change in bps
Tbill-91 days	6.93	6.94	1
Tbill-182 days	7.11	7.13	2
Tbill-364 days	7.13	7.13	0
G-Sec 2Y	7.03	7.03	0
India OIS-2M	6.79	6.78	(1)
India OIS-9M	6.69	6.68	(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	11-01-2024	12-01-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.6	1.7	0.1
Reverse repo	0	0	0
Repo	1.0	0	(1.0)

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	10-01-2024	11-01-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(221.9)	15.4	237.3
Debt	(23.3)	108.9	132.3
Equity	(198.5)	(93.5)	105.0
Mutual funds (Rs cr)	3,028.1	(102.8)	(3,130.9)
Debt	796.8	(58.0)	(854.8)
Equity	2,231.3	(44.8)	(2,276.1)

Source: Bloomberg, Bank of Baroda Research

- Oil prices rose by 1.1% owing to risks of supply side distributions (tensions in Middle East. protest in Libya, severe winter conditions in US).

**Fig 7 – Commodities**

	11-01-2024	12-01-2024	% change
Brent crude (US\$/bbl)	77.4	78.3	1.1
Gold (US\$/ Troy Ounce)	2,028.9	2,049.1	1.0
Copper (US\$/ MT)	8,262.2	8,241.2	(0.3)
Zinc (US\$/MT)	2,481.3	2,492.7	0.5
Aluminium (US\$/MT)	2,235.0	2,219.5	(0.7)

Source: Bloomberg, Bank of Baroda Research



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