

MORNING MOCHA

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ECONOMIST

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Global markets are again re-thinking their positions. US non-farm payroll additions came in more than expected at 216k (est.: 175k). This data follows two successive downward revisions of previous months' prints. The average hourly earnings data also inched up by 0.4% on sequential basis, more than estimated at 0.3%. Thus, traders started repricing and US 10Y yield went up. CME Fed watch tool is now showing a probability of 62.3% for 25bps rate cut in Mar'24, which was pared down from the probability of 73.4%, seen a week earlier. In Eurozone, CPI inched up to 2.9% in Dec'23 from 2.4% in Nov'23, as energy aid in Germany is seen phasing out. ECB also remained cautious of the evolution of interest rate trajectory in its latest commentary. On domestic front, Rabi sowing data remained a cause of concern.

- Global stocks ended mixed. Investors monitored US jobs report and ISM non-manufacturing PMI. Apart from this, a pickup in inflation in Eurozone also weighed on investor sentiments. Based on this, investors have pared back expectations of aggressive rate cuts. Stocks in US rose, while Hang Seng and Shanghai Comp fell. Sensex rose by 0.2%, led by gains in capital goods and technology stocks. It is trading lower today, in line with other Asian indices.

Fig 1 – Stock markets

	4-01-2024	5-01-2024	% change
Dow Jones	37,440	37,466	0.1
S & P 500	4,689	4,697	0.2
FTSE	7,723	7,690	(0.4)
Nikkei	33,288	33,377	0.3
Hang Seng	16,646	16,535	(0.7)
Shanghai Comp	2,954	2,929	(0.9)
Sensex	71,848	72,026	0.2
Nifty	21,659	21,711	0.2

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed broadly higher against the dollar. DXY was flat amidst mixed macro data. EUR closed flat following a pickup in inflation in the region. GBP was 0.3% higher, supported by improvement in construction PMI, increase in house prices and pickup in new car sales. INR ended stronger led by equity inflows. It is trading further stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	4-01-2024	5-01-2024	% change
EUR/USD (1 EUR / USD)	1.0945	1.0943	0
GBP/USD (1 GBP / USD)	1.2682	1.2720	0.3
USD/JPY (JPY / 1 USD)	144.63	144.63	0
USD/INR (INR / 1 USD)	83.23	83.16	0.1
USD/CNY (CNY / 1 USD)	7.1608	7.1471	0.2

Source: Bloomberg, Bank of Baroda Research



- US 10Y yield rose by 5bps following stronger US non-farm payroll data. Thus, the timing of rate cut cycle remains blurry. The reverberation is felt across yields in UK and Germany. In Japan, 10Y yield moderated a tad as traders delayed the expectation of exit from ultra dovish policy following the economic damages from earthquake. India's 10Y yield also fell a tad. It is trading at 7.21% today.

Fig 3 – Bond 10Y yield

	4-01-2024	5-01-2024	change in bps
US	4.00	4.05	5
UK	3.73	3.79	6
Germany	2.12	2.16	3
Japan	0.62	0.61	(1)
China	2.54	2.53	(1)
India	7.22	7.24	1

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	4-01-2024	5-01-2024	change in bps
Tbill-91 days	6.89	6.94	5
Tbill-182 days	7.11	7.11	0
Tbill-364 days	7.11	7.11	0
G-Sec 2Y	7.06	7.06	0
India OIS-2M	6.79	6.78	(1)
India OIS-9M	6.70	6.71	0
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.39	5.32	(7)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	4-01-2024	5-01-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.1	1.2	0.1
Reverse repo	0	0	0
Repo	1.3	0	(1.3)

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	3-01-2024	4-01-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	35.5	254.3	218.9
Debt	104.1	87.6	(16.5)
Equity	(68.6)	166.8	235.4
Mutual funds (Rs cr)	1,197.7	(1,227.8)	(2,425.5)
Debt	1,600.2	125.3	(1,474.8)
Equity	(402.4)	(1,353.1)	(950.7)

Source: Bloomberg, Bank of Baroda Research

- Oil prices rose tracking tensions in the Middle East and mixed macro data.

Fig 7 – Commodities

	4-01-2024	5-01-2024	% change
Brent crude (US\$/bbl)	77.6	78.8	1.5
Gold (US\$/ Troy Ounce)	2,043.7	2,045.5	0.1
Copper (US\$/ MT)	8,367.8	8,361.0	(0.1)
Zinc (US\$/MT)	2,516.5	2,538.0	0.9
Aluminium (US\$/MT)	2,281.0	2,273.5	(0.3)

Source: Bloomberg, Bank of Baroda Research



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