

## MORNING MOCHA

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Global markets reacted to a multitude of factors. Fed Governor (Michelle Bowman) spoke of rate cuts if inflation continues to fall towards Fed's 2% target, to prevent policy from being way too restrictive. Elsewhere, in China, further monetary stimulus may be forthcoming to provide impetus to growth. On macro front, New York Fed 1-year inflation expectations moderated, showing that expectation remaining closely anchored. In Germany, factory orders moderated on a sequential basis, while exports and imports picked pace. In Japan, CPI in Tokyo slowed for the second straight month, in line with BoJ's view of subsiding import-driven price pressures. On domestic front, Bloomberg Index proposed to include Indian bonds (FAR) to be part of the EM local currency Index from Sep'24, which would support more flows. Thus, India's 10Y yield could see some downward bias going forward.

- Global indices ended mixed. US indices closed in green led by tech stocks and ahead of the inflation print that might offer guidance on the trajectory of Fed path. As per Fed watch tool, investor expect 63.8% (from 88.5%-last week) chance of a cut in Mar'24. On the other hand, Sensex ended in red and was dragged down by losses in banking and metal stocks. It is trading higher today, in line with other Asian stocks.

**Fig 1 – Stock markets**

	05-01-2024	08-01-2024	% change
Dow Jones	37,466	37,683	0.6
S & P 500	4,697	4,764	1.4
FTSE	7,690	7,694	0.1
Nikkei	33,288	33,377	0.3
Hang Seng	16,535	16,224	(1.9)
Shanghai Comp	2,929	2,888	(1.4)
Sensex	72,026	71,355	(0.9)
Nifty	21,711	21,513	(0.9)

Source: Bloomberg, Bank of Baroda Research | Note: Nikkei was closed on 8 Jan 2024

- Global currencies closed mixed. DXY fell by 0.2% as investors await more data to gauge the trajectory of Fed rates. EUR closed flat despite a pickup in Eurozone's consumer confidence index. INR ended a tad stronger, tracking lower oil prices. It is trading further stronger today, in line with its Asian peers.

**Fig 2 – Currencies**

	05-01-2024	08-01-2024	% change
EUR/USD (1 EUR / USD)	1.0947	1.0950	0
GBP/USD (1 GBP / USD)	1.2721	1.2748	0.2
USD/JPY (JPY / 1 USD)	144.62	144.23	0.3
USD/INR (INR / 1 USD)	83.16	83.14	0
USD/CNY (CNY / 1 USD)	7.1471	7.1514	(0.1)

Source: Bloomberg, Bank of Baroda Research



- Barring Japan (flat), other global yields closed lower. US 10Y yield dropped by 2bps as investors awaited inflation data and comments by Fed officials. On the back of the strong data print last week (payrolls report), the prospects of aggressive rate cuts seems muted, as per investors. India's 10Y yield also fell by 3bps amidst moderation in oil prices. It is trading tad lower today.

**Fig 3 – Bond 10Y yield**

	05-01-2024	08-01-2024	change in bps
US	4.05	4.03	(2)
UK	3.79	3.77	(2)
Germany	2.16	2.14	(2)
Japan	0.61	0.61	0
China	2.53	2.52	(1)
India	7.24	7.20	(3)

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	05-01-2024	08-01-2024	change in bps
Tbill-91 days	6.94	6.94	0
Tbill-182 days	7.11	7.10	(1)
Tbill-364 days	7.11	7.12	1
G-Sec 2Y	7.06	7.06	0
India OIS-2M	6.78	6.78	0
India OIS-9M	6.71	6.69	(1)
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.32	5.31	(1)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	05-01-2024	08-01-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.2	1.6	0.4
Reverse repo	0	0	0
Repo	0	1.0	1.0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	04-01-2024	05-01-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	254.3	412.9	158.5
Debt	87.6	200.2	112.6
Equity	166.8	212.7	45.9
Mutual funds (Rs cr)	(1,227.8)	(3,746.6)	(2,518.9)
Debt	125.3	(861.3)	(986.6)
Equity	(1,353.1)	(2,885.4)	(1,532.3)

Source: Bloomberg, Bank of Baroda Research

- Oil prices fell due to fresh demand concerns after price cut by Saudi Arabia.

**Fig 7 – Commodities**

	05-01-2024	08-01-2024	% change
Brent crude (US\$/bbl)	78.8	76.1	(3.4)
Gold (US\$/ Troy Ounce)	2,045.5	2,028.1	(0.8)
Copper (US\$/ MT)	8,361.0	8,339.7	(0.3)
Zinc (US\$/MT)	2,538.0	2,482.5	(2.2)
Aluminium (US\$/MT)	2,273.5	2,236.5	(1.6)

Source: Bloomberg, Bank of Baroda Research



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