

MORNING MOCHA

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ECONOMIST

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A slew of economic data from the US is expected to provide guidance on Fed's outlook on interest rates. In addition to the CPI print scheduled to release later today, PPI report and retail sales data will also be closely monitored. Investors are pricing in no rate cut in Mar'24 (84.5%), while the likelihood of rate cut in May'24 has also dropped down to 61% (95% in the beginning of the year). Additionally, Federal Reserve Bank of New York in the survey of consumer expectations noted inflation for 1Y and 3Y remain unchanged at 3% and 2.5%, with rise in inflation 3 years from now, is estimated at 2.4% (lowest since Mar'20). Separately, in India, CPI inflation moderated to 5.1% (5.7% in Dec'23) led by food inflation. Industrial production advanced higher to 3.8% (2.4% in Nov'23) in Dec'23.

- Global stocks ended mixed. US indices closed in green, awaiting the CPI report to offer some guidance as to when will Fed begin the rate cut cycle. European indices opened higher with investors monitoring corporate earnings. Sensex ended in red and was dragged down by losses in real estate and power stocks. However, it is trading higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	09-02-2024	12-02-2024	% change
Dow Jones	38,726	38,797	0.2
S & P 500	4,998	5,022	0.5
FTSE	7,595	7,574	(0.3)
Nikkei	36,863	36,897	0.1
Hang Seng	15,878	15,747	(0.8)
Shanghai Comp	2,830	2,866	1.3
Sensex	71,428	71,072	(0.5)
Nifty	21,718	21,616	(0.5)

Source: Bloomberg, Bank of Baroda Research, Note: China's market are closed through this week for Lunar New Year Holiday

- Barring EUR (lower), other currencies closed flat against the dollar. Markets in Japan and China were closed. DXY inched up ahead of US CPI data. INR ended flat, despite dip in international crude oil prices. However, it is trading a bit higher today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	09-02-2024	12-02-2024	% change
EUR/USD (1 EUR / USD)	1.0784	1.0772	(0.1)
GBP/USD (1 GBP / USD)	1.2628	1.2629	0
USD/JPY (JPY / 1 USD)	149.29	149.35	0
USD/INR (INR / 1 USD)	83.03	83.00	0
USD/CNY (CNY / 1 USD)	7.1967	7.1936	0

Source: Bloomberg, Bank of Baroda Research

- Global 10Y yields closed mixed. 10Y yield in the US remained stable while it fell in UK and Germany. Given the strength in US economy investors are uncertain



of a rate cut by Fed in May'24 as well. They await cues from CPI report due today for more guidance. India's 10Y yield fell a tad by 1bps, as oil prices inched down. It is trading a tad higher at 7.10% today.

Fig 3 – Bond 10Y yield

	09-02-2024	12-02-2024	change in bps
US	4.18	4.18	0
UK	4.09	4.06	(3)
Germany	2.38	2.36	(2)
Japan	0.73	0.73	0
China	2.42	2.44	2
India	7.11	7.09	(1)

Source: Bloomberg, Bank of Baroda Research, Note: China's market are closed through this week for Lunar New Year Holiday

Fig 4 – Short term rates

	09-02-2024	12-02-2024	change in bps
Tbill-91 days	7.00	7.02	2
Tbill-182 days	7.13	7.13	0
Tbill-364 days	7.12	7.11	(1)
G-Sec 2Y	7.02	6.99	(2)
India OIS-2M	6.79	6.79	0
India OIS-9M	6.71	6.71	0
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	09-02-2024	12-02-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	2.0	2.1	0.1
Reverse repo	0	0	0
Repo	0	1.8	1.8

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	08-02-2024	09-02-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(167.6)	(44.5)	123.1
Debt	319.9	(84.3)	(404.2)
Equity	(487.5)	39.8	527.3
Mutual funds (Rs cr)	(7,682.0)	2,471.2	10,153.2
Debt	(7,207.1)	(2,090.4)	5,116.7
Equity	(474.9)	4,561.6	5,036.5

Source: Bloomberg, Bank of Baroda Research, Note: Mutual fund data as of 7th and 8th Feb 2024

- Oil prices slipped down despite tensions around Middle East.

Fig 7 – Commodities

	09-02-2024	12-02-2024	% change
Brent crude (US\$/bbl)	82.2	82.0	(0.2)
Gold (US\$/ Troy Ounce)	2,024.3	2,020.1	(0.2)
Copper (US\$/ MT)	8,065.0	8,128.7	0.8
Zinc (US\$/MT)	2,282.7	2,301.8	0.8
Aluminium (US\$/MT)	2,216.0	2,227.0	0.5

Source: Bloomberg, Bank of Baroda Research



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