

MORNING MOCHA

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ECONOMIST

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In the US, jobless claims data was just shy of expectations, falling to 218k for the week ending 3 Feb 2024 and compared to previous week's level of 227k. Thus, certain degree of tightness in the labour market is still prevalent. Richmond Fed President in his recent speech reiterated to be patient before embarking on the rate cut cycle. ECB Chief Economist also spoke of requiring more evidence of inflation returning to the targeted level and also emphasised not to rush on to the rate cut cycle. BoJ Governor on the other hand gave assurance that easy financial conditions would prevail in the region, even post negative interest rate era. On domestic front, RBI's policy remained on expected lines, with no change in policy rates and stance. Inflation forecasts reflect that space for rate cut is available in Q2.

- Global stocks ended mixed. Investors monitored robust earnings report while also assessing the future path of interest rates. Nikkei surged the most by 2.1%. Shanghai Comp too rose by 1.3% anticipating more government support. US stocks too advanced. However, Sensex fell by 1%, led by a sharp fall in banking stocks. However, it is trading higher today, in line with its Asian peers.

Fig 1 – Stock markets

	07-02-2024	08-02-2024	% change
Dow Jones	38,677	38,726	0.1
S & P 500	4,995	4,998	0.1
FTSE	7,629	7,595	(0.4)
Nikkei	36,120	36,863	2.1
Hang Seng	16,082	15,878	(1.3)
Shanghai Comp	2,830	2,866	1.3
Sensex	72,152	71,428	(1.0)
Nifty	21,931	21,718	(1.0)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY rose by 0.1% as a drop in US jobless claims reaffirmed the case for pushing back rate cuts. On the other hand, JPY fell sharply as BoJ Deputy Governor stated that the central banks is unlikely to raise interest rates sharply. INR ended flat. It is trading a tad weaker today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	07-02-2024	08-02-2024	% change
EUR/USD (1 EUR / USD)	1.0772	1.0778	0.1
GBP/USD (1 GBP / USD)	1.2626	1.2617	(0.1)
USD/JPY (JPY / 1 USD)	148.18	149.32	(0.8)
USD/INR (INR / 1 USD)	82.97	82.96	0
USD/CNY (CNY / 1 USD)	7.1949	7.1967	0

Source: Bloomberg, Bank of Baroda Research



- Except Japan (tad lower), global yields closed higher. Risk on sentiments increased as investors have already priced a delayed response in terms of easing financial conditions by major central banks. Further, certain degree of resilience in macro data and uncertainty over inflation trajectory also validate the same. India's 10Y yield rose by 1bps and is trading at the same level today.

Fig 3 – Bond 10Y yield

	07-02-2024	08-02-2024	change in bps
US	4.12	4.15	3
UK	3.99	4.05	6
Germany	2.32	2.35	4
Japan	0.72	0.71	(1)
China	2.42	2.44	2
India	7.07	7.08	1

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	07-02-2024	08-02-2024	change in bps
Tbill-91 days	7.01	7.02	1
Tbill-182 days	7.14	7.12	(2)
Tbill-364 days	7.11	7.09	(2)
G-Sec 2Y	7.01	7.01	0
India OIS-2M	6.73	6.76	2
India OIS-9M	6.63	6.68	5
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	07-02-2024	08-02-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.5	2.0	0.5
Reverse repo	0	0	0
Repo	2.7	2.7	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	06-02-2024	07-02-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	323.7	(115.0)	(438.7)
Debt	380.6	78.0	(302.6)
Equity	(56.9)	(193.0)	(136.1)
Mutual funds (Rs cr)	(2,041.2)	(2,912.6)	(871.4)
Debt	(3,463.2)	(1,397.3)	2,065.9
Equity	1,422.0	(1,515.3)	(2,937.3)

Source: Bloomberg, Bank of Baroda Research, Note: Mutual fund data as of 2nd and 5th Feb 2024

- Oil prices rose further amidst escalation in the Middle East conflict.

Fig 7 – Commodities

	07-02-2024	08-02-2024	% change
Brent crude (US\$/bbl)	79.2	81.6	3.1
Gold (US\$/ Troy Ounce)	2,035.4	2,034.5	(0.0)
Copper (US\$/ MT)	8,198.7	8,085.0	(1.4)
Zinc (US\$/MT)	2,391.0	2,312.6	(3.3)
Aluminium (US\$/MT)	2,222.0	2,221.5	(0.0)

Source: Bloomberg, Bank of Baroda Research



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