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Global markets assessed the US inflation data to determine the trajectory of Fed rate cuts. For now, investors believe a rate cut in Jun'24 as most likely (probability of 64.3% as per CME FedWatch Tool). A key ECB policymaker also suggested that the central bank is likely to begin its rate cut cycle in "spring" as victory against inflation was in sight. Weakness in the economy continued with industrial production declining more than expected by 2.1% in Jan'24, from an increase of 1.6% in Dec'23. In UK, GDP growth rebounded and increased by 0.2% in Jan'24 after declining by 0.1% in Dec'23 on a MoM basis. In Japan, focus remains on the spring wage negotiations with expectations of a sizeable increase, which is fuelling expectations of a hawkish pivot by BoJ. Volatility is expected in oil markets after Ukraine's attack on Russian oil refineries which will weigh on domestic markets.

- Except Dow and FTSE (higher), global stock indices closed lower. Investors refrained from holding strong positions ahead of major data release in the US (retail sales and PPI data). Apart from this, focus also remained on Japan's spring wage negotiations reflecting that wage hike might be on the cards. Sensex fell by 1.2%, led by power and real estate stocks. It is trading further lower today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	12-03-2024	13-03-2024	% change
Dow Jones	39,005	39,043	0.1
S & P 500	5,175	5,165	(0.2)
FTSE	7,748	7,772	0.3
Nikkei	38,798	38,696	(0.3)
Hang Seng	17,094	17,082	(0.1)
Shanghai Comp	3,056	3,044	(0.4)
Sensex	73,668	72,762	(1.2)
Nifty	22,336	21,998	(1.5)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY retreated as investors awaited upcoming macro data (US retail sales, jobless claims and PPI report). JPY depreciated further. INR depreciated by 0.1% as oil prices increased. However, it is trading stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	12-03-2024	13-03-2024	% change
EUR/USD (1 EUR / USD)	1.0927	1.0948	0.2
GBP/USD (1 GBP / USD)	1.2793	1.2797	0
USD/JPY (JPY / 1 USD)	147.68	147.76	(0.1)
USD/INR (INR / 1 USD)	82.78	82.86	(0.1)
USD/CNY (CNY / 1 USD)	7.1826	7.1868	(0.1)

Source: Bloomberg, Bank of Baroda Research



- Except Japan and China, global yields closed higher. UK's 10Y yield rose sharply as investors monitored the GDP data, which was in line with estimates. Even 10Y yields in US and Germany firmed up, ahead of major macro releases, for cues on evolution of Fed fund rate. India's 10Y yield rose a tad by 1bps. It is trading at 7.05% today.

Fig 3 – Bond 10Y yield

	12-03-2024	13-03-2024	change in bps
US	4.15	4.19	4
UK	3.95	4.02	7
Germany	2.33	2.37	4
Japan	0.77	0.77	0
China	2.35	2.34	(2)
India	7.03	7.04	1

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	12-03-2024	13-03-2024	change in bps
Tbill-91 days	6.84	6.87	3
Tbill-182 days	7.08	7.12	4
Tbill-364 days	7.04	7.09	5
G-Sec 2Y	7.02	7.03	1
India OIS-2M	6.77	6.76	(1)
India OIS-9M	6.73	6.74	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	12-03-2024	13-03-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.1	(0.1)	(0.2)
Reverse Repo	0	0	0
Repo	0.5	0.5	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	11-03-2024	12-03-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	518.1	285.4	(232.7)
Debt	40.9	299.4	258.5
Equity	477.2	(14.0)	(491.2)
Mutual funds (Rs cr)	1,726.4	(3,461.9)	(5,188.2)
Debt	(866.2)	(5,473.7)	(4,607.6)
Equity	2,592.5	2,011.9	(580.7)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 7 Mar 2024 and 11 Mar 2024

- Oil prices rose on supply concerns after an attack on Russian oil refineries.

Fig 7 – Commodities

	12-03-2024	13-03-2024	% change
Brent crude (US\$/bbl)	81.9	84.0	2.6
Gold (US\$/ Troy Ounce)	2,158.3	2,174.4	0.7
Copper (US\$/ MT)	8,560.7	8,833.5	3.2
Zinc (US\$/MT)	2,523.7	2,537.3	0.5
Aluminium (US\$/MT)	2,265.0	2,264.0	0

Source: Bloomberg, Bank of Baroda Research



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