

MORNING MOCHA

18 March 2024

ECONOMIST
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Industrial production in the US rebounded (MoM) in Feb'24 as it rose by 0.1% (est.: 0%), following downwardly revised (-) 0.5% decline noted in Jan'24. Improvement was led by business equipment, construction and materials. On the other hand, University of Michigan's consumer sentiment index eased in Mar'24 to 76.5 from 76.9 in Feb'24, dragged by sub-index of consumer expectations. Current conditions index remained unchanged. Elsewhere in Asia, in China, retail sales growth in Jan-Feb'24 slowed to 5.5% (est.: 5.6%) from 7.4% in Dec'23, despite it being a festive season in that period. Industrial production on the other hand jumped by 7% (est.: 5.3%) in Jan-Feb'24 from 6.8% in Dec'23. FAI, an indicator of investment, also beat expectations (3.2%) and rose by 4.2% in Jan-Feb'24 versus 3% in CY23. This week, markets await decisions of US Fed, BoE, BoJ, and RBA.

- Except Shanghai Comp (higher), global stock indices closed lower. Investors remained cautious amidst anticipation of delayed start to the rate cut cycle by Fed. Apart from this, expectation of a likely pivot by BoJ after 8 years, also impacted investor sentiments. Sensex fell by 0.6%, led by oil and gas stocks. However, it is trading higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	14-03-2024	15-03-2024	% change
Dow Jones	38,906	38,715	(0.5)
S & P 500	5,150	5,117	(0.6)
FTSE	7,743	7,727	(0.2)
Nikkei	38,807	38,708	(0.3)
Hang Seng	16,962	16,721	(1.4)
Shanghai Comp	3,038	3,055	0.5
Sensex	73,097	72,643	(0.6)
Nifty	22,147	22,023	(0.6)

Source: Bloomberg, Bank of Baroda Research

- Except EUR and CNY, other global currencies ended weaker against US\$. DXY rose by 0.1%, supported by continued increase in US treasury yields. Amongst major currencies, JPY depreciated the most by 0.5%, ahead of BoJ's policy decision. INR was marginally weaker, monitoring movement in oil prices. But it is trading stronger today, while other Asian currencies are trading lower.

Fig 2 – Currencies

	14-03-2024	15-03-2024	% change
EUR/USD (1 EUR / USD)	1.0883	1.0889	0.1
GBP/USD (1 GBP / USD)	1.2753	1.2736	(0.1)
USD/JPY (JPY / 1 USD)	148.33	149.04	(0.5)
USD/INR (INR / 1 USD)	82.83	82.89	(0.1)
USD/CNY (CNY / 1 USD)	7.1943	7.1970	0

Source: Bloomberg, Bank of Baroda Research



- Except China, global yields closed higher. US 10Y yield rose by 2bps as uncertainty around the timing and quantum of Fed rate cuts remains, owing to revival in price pressures and sustained economic momentum. India's 10Y yield rose by 2bps, as pressure from elevated oil prices remains. It is trading further higher today at 7.08%.

Fig 3 – Bond 10Y yield

	14-03-2024	15-03-2024	change in bps
US	4.29	4.31	2
UK	4.09	4.10	1
Germany	2.43	2.44	2
Japan	0.78	0.79	1
China	2.35	2.35	0
India	7.04	7.06	2

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	14-03-2024	15-03-2024	change in bps
Tbill-91 days	6.85	6.84	(1)
Tbill-182 days	7.09	7.08	(1)
Tbill-364 days	7.08	7.08	0
G-Sec 2Y	7.04	7.05	1
India OIS-2M	6.76	6.77	1
India OIS-9M	6.74	6.74	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	14-03-2024	15-03-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.3)	0.7	1.0
Reverse Repo	0	0	0
Repo	0.5	0.5	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	13-03-2024	14-03-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	1,856.6	(127.3)	(1,983.9)
Debt	97.7	(113.5)	(211.1)
Equity	1,759.0	(13.8)	(1,772.8)
Mutual funds (Rs cr)	532.7	(292.4)	(825.1)
Debt	(1,681.0)	0	1,681.0
Equity	2,213.7	(292.4)	(2,506.0)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 12 Mar 2024 and 13 Mar 2024

- Oil prices remained broadly unchanged, but registered 4% gain in the week.

Fig 7 – Commodities

	14-03-2024	15-03-2024	% change
Brent crude (US\$/bbl)	85.4	85.3	(0.1)
Gold (US\$/ Troy Ounce)	2,162.2	2,155.9	(0.3)
Copper (US\$/ MT)	8,783.3	8,968.5	2.1
Zinc (US\$/MT)	2,509.6	2,520.0	0.4
Aluminium (US\$/MT)	2,251.5	2,274.5	1.0

Source: Bloomberg, Bank of Baroda Research



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