

MORNING MOCHA

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Stronger than expected housing starts data in the US has raised uncertainty around Fed's timing and quantum of rate cuts. Housing starts rose to 1.52mn units in Feb'24 (est.: 1.43mn units), up from 1.37mn units in Jan'24. Bulk of this demand comes from single family units which rose to 1.13mn units in Feb'24—highest since Apr'22. Single family unit building permits (indicator of future construction activity) also jumped to ~1.5yr high. Businesses are offering discounts and compromising on size of the units to negate the impact of high mortgage rates. Separately, optimism in Germany has returned as Germany's ZEW economic sentiment jumped in Mar'24 to 31.7 (est.: 20.5) from 19.9 in Feb'24. Domestically, RBI's monthly bulletin stated that with the help of improving corporate balance sheets, government's capex thrust and structural improvements in private demand, India can sustain 8% growth momentum.

- Global stock indices ended mixed, as investors monitored the landmark decision by BoJ of ending negative rates. The focus will now shift towards upcoming Fed meet. Wall Street made strong gains, followed by Nikkei. On the other hand, Sensex ended in red and was dragged down by losses in IT and power stocks. However, it is trading higher today, while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	18-03-2024	19-03-2024	% change
Dow Jones	38,790	39,111	0.8
S & P 500	5,149	5,179	0.6
FTSE	7,723	7,738	0.2
Nikkei	39,740	40,004	0.7
Hang Seng	16,737	16,529	(1.2)
Shanghai Comp	3,085	3,063	(0.7)
Sensex	72,748	72,012	(1.0)
Nifty	22,056	21,817	(1.1)

Source: Bloomberg, Bank of Baroda Research

- Except CNY (flat), other global currencies ended lower against the dollar. DXY continues to climb up (0.2%) with the spotlight now on speech by Fed Chair to offer guidance on rate outlook. JPY weakened to near 4-month low, post BoJ's decision. INR depreciated amidst higher oil prices. However, it is trading stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	18-03-2024	19-03-2024	% change
EUR/USD (1 EUR / USD)	1.0872	1.0866	(0.1)
GBP/USD (1 GBP / USD)	1.2729	1.2722	(0.1)
USD/JPY (JPY / 1 USD)	149.15	150.86	(1.1)
USD/INR (INR / 1 USD)	82.91	83.04	(0.2)
USD/CNY (CNY / 1 USD)	7.1984	7.1994	0

Source: Bloomberg, Bank of Baroda Research



- Barring India, other global 10Y yields inched down. Yields in China, US, and UK fell the most. Investors keenly await Fed's rate decision (due today), to gauge whether the 1st rate cut will be delivered in Jun'24 or not. The chances remain uncertain following strong housing starts report. India's 10Y yield rose by 1bps, due to inch up in prices. It is trading flat today at 7.10%.

Fig 3 – Bond 10Y yield

	18-03-2024	19-03-2024	change in bps
US	4.32	4.29	(3)
UK	4.09	4.06	(3)
Germany	2.46	2.45	(1)
Japan	0.77	0.74	(3)
China	2.33	2.29	(4)
India	7.09	7.10	1

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	18-03-2024	19-03-2024	change in bps
Tbill-91 days	6.86	7.03	17
Tbill-182 days	7.09	7.07	(2)
Tbill-364 days	7.08	7.07	(1)
G-Sec 2Y	7.06	7.08	2
India OIS-2M	6.77	6.78	1
India OIS-9M	6.76	6.77	1
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	18-03-2024	19-03-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.7	0.5	(0.2)
Reverse Repo	0	0	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	15-03-2024	18-03-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	208.6	(235.0)	(443.5)
Debt	115.3	(94.2)	(209.6)
Equity	93.3	(140.7)	(234.0)
Mutual funds (Rs cr)	(1,986.9)	(4,671.3)	(2,684.4)
Debt	(2,161.6)	(3,207.5)	(1,045.9)
Equity	174.7	(1,463.8)	(1,638.5)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 14 Mar 2024 and 15 Mar 2024

- Oil prices rose, as supply concerns persist (Russian refineries attacked).

Fig 7 – Commodities

	18-03-2024	19-03-2024	% change
Brent crude (US\$/bbl)	86.9	87.4	0.6
Gold (US\$/ Troy Ounce)	2,160.4	2,157.6	(0.1)
Copper (US\$/ MT)	8,986.1	8,870.8	(1.3)
Zinc (US\$/MT)	2,485.8	2,458.6	(1.1)
Aluminium (US\$/MT)	2,277.5	2,269.0	(0.4)

Source: Bloomberg, Bank of Baroda Research



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