

## MORNING MOCHA

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ECONOMIST  
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In line with market expectations, US Fed left its key policy rates unchanged in Mar'24 at 5.25-5.5%. The Central Bank updated its economic projections, and now expects GDP growth at 2.1% in CY24 versus 1.4% projected in Dec'23. Inflation expectation for CY24 remains unchanged at 2.4%. However, core PCE is estimated to witness some upward pressure (2.6% versus 2.4%) due to resilience in domestic demand. FOMC reiterated possibility of 75bps rate cut in CY24, with analysts now predicting 70% chance of rate cut cycle beginning in Jun'24. Separately in UK, ahead of BoE's rate decision due today, UK CPI slowed to 3.4% in Feb'24 from 4% in Jan'24. The moderation was led by food, restaurant and cafes. In Asia, flash manufacturing PMIs for Australia (46.8 in Mar'24 versus 47.8 in Feb'24) and Japan (46.5 versus 45.3) indicate that sector remains under duress, due to weak demand.

- Except FTSE (flat), other global stock indices ended higher after US Fed hinted at 3-possible rate cuts this year while keeping the rate unchanged in line with expectation. US indices advanced and rallied to an all-time high. Sensex rebounded supported by gains in oil & gas and power stocks. It is trading higher today, in line with other Asian stocks. Nikkei surged to a record high in the morning session today.

**Fig 1 – Stock markets**

	19-03-2024	20-03-2024	% change
Dow Jones	39,111	39,512	1.0
S & P 500	5,179	5,225	0.9
FTSE	7,738	7,737	0
Nikkei	39,740	40,004	0.7
Hang Seng	16,529	16,543	0.1
Shanghai Comp	3,063	3,080	0.6
Sensex	72,012	72,102	0.1
Nifty	21,817	21,839	0.1

Source: Bloomberg, Bank of Baroda Research | Note: Markets in Japan were closed on 20.03.2024

- Global currencies ended mixed. DXY retreated (0.4%) post Fed's rate decision where it projected three rate cuts are likely this year. The focus will now turn towards BoE rate decision, due later today. INR depreciated further. However it is trading stronger today, while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	19-03-2024	20-03-2024	% change
EUR/USD (1 EUR / USD)	1.0866	1.0922	0.5
GBP/USD (1 GBP / USD)	1.2722	1.2785	0.5
USD/JPY (JPY / 1 USD)	150.86	151.26	(0.3)
USD/INR (INR / 1 USD)	83.04	83.17	(0.2)
USD/CNY (CNY / 1 USD)	7.1994	7.1979	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in Japan were closed on 20.03.2024



- Barring China, other global 10Y yields inched further down. Fed in its policy statement reiterated that it expects 75bps cut in policy rates this year. Also, members believe that strength in labour market will not impact inflation, thus further raising probability of a cut in Jun'24. India's 10Y yield fell by 1bps, as oil prices eased. It is trading further lower today, at 7.07%.

**Fig 3 – Bond 10Y yield**

	19-03-2024	20-03-2024	change in bps
US	4.29	4.27	(2)
UK	4.06	4.02	(4)
Germany	2.45	2.43	(2)
Japan	0.77	0.74	(3)
China	2.29	2.31	2
India	7.10	7.09	(1)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in Japan were closed on 20.03.2024

**Fig 4 – Short term rates**

	19-03-2024	20-03-2024	change in bps
Tbill-91 days	7.03	6.86	(17)
Tbill-182 days	7.07	7.11	4
Tbill-364 days	7.07	7.07	0
G-Sec 2Y	7.08	7.06	(2)
India OIS-2M	6.78	6.79	0
India OIS-9M	6.77	6.78	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	19-03-2024	20-03-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.5	1.0	0.5
Reverse Repo	0	0	0
Repo	0	1.3	1.3

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	18-03-2024	19-03-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(235.0)	110.5	345.4
Debt	(94.2)	(52.4)	41.8
Equity	(140.7)	162.9	303.6
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 fell by 1.6%, weighed down by Fed's rate decision.

**Fig 7 – Commodities**

	19-03-2024	20-03-2024	% change
Brent crude (US\$/bbl)	87.4	86.0	(1.6)
Gold (US\$/ Troy Ounce)	2,157.6	2,186.4	1.3
Copper (US\$/ MT)	8,870.8	8,818.8	(0.6)
Zinc (US\$/MT)	2,458.6	2,463.8	0.2
Aluminium (US\$/MT)	2,269.0	2,273.0	0.2

Source: Bloomberg, Bank of Baroda Research



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