

MORNING MOCHA

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ECONOMIST
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Global markets monitored Fed Chair's speech which hinted at delayed start to the rate cut cycle, probably later this year. However, Fed Chair's comments that inflation has eased has provided some degree of comfort. Added to this was the less than expected change in private payroll number. Even wages increased at the slowest pace in more than two years. All this led DXY and US 10Y yield close lower. On macro front, trade data in Germany showed some momentum with both exports and imports picking up on seasonally adjusted sequential basis. Even in China, exports picked up for the first two months of CY24. Elsewhere, in Japan, wage data firmed up, raising hopes of a pivot from BoJ. On domestic front, RBI governor reiterated its focus on bringing inflation to the targeted 4% level.

- Except China and Japan, stocks elsewhere closed stronger as Fed Chair acknowledged the possibility of rate cuts this year. This came on the heels of data showing weakening momentum in the US labour market. FTSE rose after UK's budget announcements. Sensex rose to a fresh record-high led by a rally in banking and technology shares. It is trading further stronger today, in line with other Asian stocks.

Fig 1 – Stock markets

	05-03-2024	06-03-2024	% change
Dow Jones	38,585	38,661	0.2
S & P 500	5,079	5,105	0.5
FTSE	7,646	7,679	0.4
Nikkei	40,098	40,091	0
Hang Seng	16,163	16,438	1.7
Shanghai Comp	3,048	3,040	(0.3)
Sensex	73,677	74,086	0.6
Nifty	22,356	22,474	0.5

Source: Bloomberg, Bank of Baroda Research, Sensex previous day close as of 2 Mar 2024

- Except CNY (flat), other global currencies ended stronger against the dollar. Comments from Fed Chair alluding to rate cuts this year, weighed on DXY which fell by 0.4%. EUR rose by 0.4%, buoyed by positive macro data (retail sales and Germany's exports). INR strengthened by 0.1% and is trading near a 6-month high today. Other Asian currencies are also trading stronger.

Fig 2 – Currencies

	05-03-2024	06-03-2024	% change
EUR/USD (1 EUR / USD)	1.0857	1.0899	0.4
GBP/USD (1 GBP / USD)	1.2705	1.2731	0.2
USD/JPY (JPY / 1 USD)	150.05	149.38	0.4
USD/INR (INR / 1 USD)	82.90	82.83	0.1
USD/CNY (CNY / 1 USD)	7.1965	7.1975	0

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. 10Y yields in US and UK moderated. This was followed by less than hawkish comments of Fed Chair and also supported by softening macro data in the US. In UK, investors assessed the budget statement. India's 10Y yield closed stable. It is trading at 7.05% today.

Fig 3 – Bond 10Y yield

	05-03-2024	06-03-2024	change in bps
US	4.15	4.10	(5)
UK	4.01	3.99	(2)
Germany	2.32	2.32	(0)
Japan	0.71	0.72	1
China	2.33	2.28	(5)
India	7.06	7.06	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	05-03-2024	06-03-2024	change in bps
Tbill-91 days	6.91	6.89	(2)
Tbill-182 days	7.14	7.14	0
Tbill-364 days	7.10	7.10	0
G-Sec 2Y	7.03	7.03	0
India OIS-2M	6.77	6.77	0
India OIS-9M	6.75	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	05-03-2024	06-03-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.6)	(0.5)	0.1
Reverse Repo	0	0	0
Repo	1.2	1.2	0.2

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	04-03-2024	05-03-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	68.2	69.5	1.3
Debt	69.7	96.2	26.5
Equity	(1.5)	(26.7)	(25.3)
Mutual funds (Rs cr)	3,466.3	(1,124.6)	(4,590.9)
Debt	249.6	(2,774.7)	(3,024.3)
Equity	3,216.7	1,650.1	(1,566.6)

Source: Bloomberg, Bank of Baroda Research

- Oil prices rose by 1.1% as US crude inventories rose less than expected.

Fig 7 – Commodities

	05-03-2024	06-03-2024	% change
Brent crude (US\$/bbl)	82.0	83.0	1.1
Gold (US\$/ Troy Ounce)	2,128.0	2,148.2	0.9
Copper (US\$/ MT)	8,400.8	8,484.3	1.0
Zinc (US\$/MT)	2,414.5	2,457.5	1.8
Aluminium (US\$/MT)	2,228.5	2,235.0	0.3

Source: Bloomberg, Bank of Baroda Research



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