

MORNING MOCHA

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In the recent trading session, it is reflected that investors have already priced in a late start to the rate cut cycle of Fed. Recent comments of Fed Officials (Cleveland Fed President and Minneapolis Fed President) also spoke of risks to embark too soon on the rate cut cycle, without having a full confidence on evolution of inflation to the targeted level. Thus US 10Y yield softened. Elsewhere, ECB official (Boris Vujcic) spoke of not rushing too soon to the rate cut cycle. On macro front, UK's BRC's sales data picked up, indicating some inflationary pressure. In Germany, factory orders inched up by 8.9%, on MoM basis (est.: -0.2%) in Dec'23. On domestic front, RBI's policy is closely awaited.

- Except Japan, stocks elsewhere ended in green. Reports that the Chinese government may unveil further stimulus measures to stabilize the markets, led to a sharp jump in stocks in Hong Kong and China. Investors also monitored comments from Fed and ECB officials to gauge the timing and quantum of rate cuts this year, while also focusing on corporate earnings report. Sensex rose by 0.6%, led by gains in oil and gas and technology stocks. It is trading further higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	05-02-2024	06-02-2024	% change
Dow Jones	38,380	38,521	0.4
S & P 500	4,943	4,954	0.2
FTSE	7,613	7,681	0.9
Nikkei	36,354	36,161	(0.5)
Hang Seng	15,510	16,137	4.0
Shanghai Comp	2,702	2,789	3.2
Sensex	71,731	72,186	0.6
Nifty	21,772	21,929	0.7

Source: Bloomberg, Bank of Baroda Research

- Except INR (flat), other global currencies appreciated against the dollar. DXY took a breather and fell by 0.2%, as investors continue to assess the timing of Fed rate cuts. GBP and JPY rose by 0.5% each. EUR rose by 0.1% as Germany's factory orders rose unexpectedly in Dec'23. INR is trading stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	05-02-2024	06-02-2024	% change
EUR/USD (1 EUR / USD)	1.0743	1.0755	0.1
GBP/USD (1 GBP / USD)	1.2536	1.2598	0.5
USD/JPY (JPY / 1 USD)	148.68	147.94	0.5
USD/INR (INR / 1 USD)	83.06	83.06	0.0
USD/CNY (CNY / 1 USD)	7.1985	7.1901	0.1

Source: Bloomberg, Bank of Baroda Research



- Except China (higher), global yields closed lower. Buying appetite for sovereign securities increased following comments of major central bank officials which signalled a delayed start to the easing cycle. US and UK's 10Y yield fell the most by 6bps, each. India's 10Y yield closed flat. It is trading lower at 7.07% today.

Fig 3 – Bond 10Y yield

	05-02-2024	06-02-2024	change in bps
US	4.16	4.10	(6)
UK	4.01	3.95	(6)
Germany	2.32	2.29	(2)
Japan	0.73	0.72	(0)
China	2.40	2.46	6
India	7.10	7.09	(0)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	05-02-2024	06-02-2024	change in bps
Tbill-91 days	7.00	7.03	3
Tbill-182 days	7.10	7.09	(1)
Tbill-364 days	7.13	7.13	-
G-Sec 2Y	7.01	7.01	0
India OIS-2M	6.75	6.74	(1)
India OIS-9M	6.64	6.63	(1)
SONIA int rate benchmark	5.19	5.19	(0)
US SOFR	5.32	5.31	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	05-02-2024	06-02-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.2	1.0	(0.2)
Reverse repo	0	0	0
Repo	2.5	2.7	0.2

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	02-02-2024	05-02-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	377.7	196.7	(181.0)
Debt	350.1	104.8	(245.3)
Equity	27.6	91.9	64.3
Mutual funds (Rs cr)	(783.8)	(2,041.2)	(1,257.4)
Debt	(774.8)	(3,463.2)	(2,688.4)
Equity	(9.0)	1,422.0	1,431.0

Source: Bloomberg, Bank of Baroda Research, Note: Mutual fund data as of 1st and 2nd Feb 2024

- Oil prices rose as EIA predicted flat US output, leading to supply concerns.

Fig 7 – Commodities

	05-02-2024	06-02-2024	% change
Brent crude (US\$/bbl)	78.0	78.6	0.8
Gold (US\$/ Troy Ounce)	2,025.1	2,036.1	0.5
Copper (US\$/ MT)	8,247.2	8,293.3	0.6
Zinc (US\$/MT)	2,408.3	2,417.0	0.4
Aluminium (US\$/MT)	2,212.5	2,230.5	0.8

Source: Bloomberg, Bank of Baroda Research



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