

## MORNING MOCHA

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ECONOMIST

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Investors attention is likely to be cued on to the US inflation data to offer more guidance on possible path for interest rates. The Central Bank might be forced to delay its plan for any interest rate cuts (Possibly in May'24), if inflation turns out to be hotter than anticipated. Retail sales and labor market data will also warrant the attention of investors this week. Separately, inflation in Germany (3.1% vs 3.8%) and France (3.4%-2 year low) eased, fuelling bets of interest rate cuts by ECB. BoJ's Governor in his recent remarks stated they might continue with the accommodative conditions for a longer period even if it abandons the negative interest rate policy. On domestic front, investors will track inflation and industrial production data.

- Global stocks ended mixed. Nikkei recorded a 34-year high as it briefly breached the 37,000 mark (first time since 1990s). S&P 500 notched up gains as it touched the 5000-milestone mark for the first time. Investors will await inflation and labour data in order to assess the future path of interest rates. Sensex ended in by green led by a gains in banking and consumer durable stocks. It is trading higher today, while other Asian stocks are trading mixed.

**Fig 1 – Stock markets**

	08-02-2024	09-02-2024	% change
Dow Jones	38,726	38,672	(0.1)
S & P 500	4,998	5,027	0.6
FTSE	7,595	7,573	(0.3)
Nikkei	36,863	36,897	0.1
Hang Seng	15,878	15,747	(0.8)
Shanghai Comp	2,830	2,866	1.3
Sensex	71,428	71,595	0.2
Nifty	21,718	21,783	0.3

Source: Bloomberg, Bank of Baroda Research, Note: China's market was shut on 9.2.24

- Global currencies closed mixed, with EUR and GBP making gains against the US\$, JPY flat, and INR lower. DXY eased, as market participants try and gauge timing of Fed's rate cuts and BoJ's increase in short-term rates. INR fell by 0.1% amidst marginal rise in oil prices. However, it is trading stronger today, in line with other Asian currencies.

**Fig 2 – Currencies**

	08-02-2024	09-02-2024	% change
EUR/USD (1 EUR / USD)	1.0778	1.0784	0.1
GBP/USD (1 GBP / USD)	1.2617	1.2628	0.1
USD/JPY (JPY / 1 USD)	149.32	149.29	0
USD/INR (INR / 1 USD)	82.96	83.03	(0.1)
USD/CNY (CNY / 1 USD)	7.1967	7.1936	0

Source: Bloomberg, Bank of Baroda Research



- Global yields inched up. Yields in US were impacted by investor sentiment ruling in a favour of Fed keeping rates higher for longer, while eyeing Jan'24 CPI data due this week. Probability of Fed delaying rate cuts has increased and it is believed that other Central Banks may follow the suit. India's 10Y yield rose by 3bps, but is trading a tad lower at 7.10% today.

**Fig 3 – Bond 10Y yield**

	08-02-2024	09-02-2024	change in bps
US	4.15	4.18	2
UK	4.05	4.09	4
Germany	2.35	2.38	3
Japan	0.71	0.73	2
China	2.42	2.44	2
India	7.08	7.11	3

Source: Bloomberg, Bank of Baroda Research, Note: China's market was shut on 9.2.24

**Fig 4 – Short term rates**

	08-02-2024	09-02-2024	change in bps
Tbill-91 days	7.02	7.00	(2)
Tbill-182 days	7.12	7.13	1
Tbill-364 days	7.09	7.12	3
G-Sec 2Y	7.01	7.02	0
India OIS-2M	6.76	6.79	4
India OIS-9M	6.68	6.71	3
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	08-02-2024	09-02-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	2.0	2.0	0
Reverse repo	0	0	0
Repo	2.7	0	(2.7)

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	07-02-2024	08-02-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(115.0)	(167.6)	(52.6)
Debt	78.0	319.9	241.9
Equity	(193.0)	(487.5)	(294.5)
Mutual funds (Rs cr)	(830.9)	(6,455.7)	(5,624.8)
Debt	(1,414.0)	(5,984.1)	(4,570.0)
Equity	583.2	(471.6)	(1,054.8)

Source: Bloomberg, Bank of Baroda Research, Note: Mutual fund data as of 6<sup>th</sup> and 7<sup>th</sup> Feb 2024

- Oil prices climbed up further amidst tensions around Middle East.

**Fig 7 – Commodities**

	08-02-2024	09-02-2024	% change
Brent crude (US\$/bbl)	81.6	82.2	0.7
Gold (US\$/ Troy Ounce)	2,034.5	2,024.3	(0.5)
Copper (US\$/ MT)	8,085.0	8,065.0	(0.2)
Zinc (US\$/MT)	2,312.6	2,282.7	(1.3)
Aluminium (US\$/MT)	2,221.5	2,216.0	(0.2)

Source: Bloomberg, Bank of Baroda Research



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