

MORNING MOCHA

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ECONOMIST

Jahnavi Prabhakar

The recently released macro data has pushed back the rate cut expectations by Fed from as early as Mar'24 to Jun'24. Chicago Fed's President Goolsbee noted Fed will remain on path of achieving 2% target even if the prices increase a bit more than expected in the coming months. Additionally, Fed Vice Chair Barr stated the path to achieve the target might be a 'bumpy one' and it is too early to talk about whether the 'economy will end up with soft landing or not'. Separately, Japan's economy slipped in to recession after unexpected contraction of 0.4% in Q4CY23 was noted (-3.3% in Q3CY23). This was on account of dip in private consumption which has major share (-0.2% versus estimate of 0.1%). Given this weaker than expected print, investors see the possibility of any rate hike might not be justified in the near term. With this, Germany becomes the third largest economy as Japan slips to 4th position.

- Barring Nikkei, other global indices closed lower. US indices rebounded as investors monitored earnings, supported by gains in stocks of ride-hailing platform. US markets are now amongst the 3rd most valuable globally. Sensex (0.7%) lifted up, led by sharp gains in oil & gas and power stocks. It is trading higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	13-02-2024	14-02-2024	% change
Dow Jones	38,273	38,424	0.4
S & P 500	4,953	5,001	1.0
FTSE	7,512	7,568	0.7
Nikkei	37,964	37,703	(0.7)
Hang Seng	15,747	15,879	0.8
Shanghai Comp	2,830	2,866	1.3
Sensex	71,555	71,823	0.4
Nifty	21,743	21,840	0.4

Source: Bloomberg, Bank of Baroda Research, Note: China's market are closed through this week for Lunar New Year Holiday

- Global currencies closed mixed against the dollar, with EUR and JPY gaining and GBP declining. DXY fell by 0.2%, awaiting remarks from Fed officials and awaiting retail sales data. INR ended flat, despite dip in international oil prices. However, it is trading higher today, in line with other Asian currencies.

Fig 2 – Currencies

	13-02-2024	14-02-2024	% change
EUR/USD (1 EUR / USD)	1.0709	1.0727	0.2
GBP/USD (1 GBP / USD)	1.2592	1.2566	(0.2)
USD/JPY (JPY / 1 USD)	150.80	150.58	0.1
USD/INR (INR / 1 USD)	83.01	83.03	0
USD/CNY (CNY / 1 USD)	7.1967	7.1936	0

Source: Bloomberg, Bank of Baroda Research



- Barring yields in Asia (higher), other global 10Y yields ended lower. 10Y yield in UK fell the most. Lower than expected CPI print in the UK has refuelled hopes of an early rate cut by BoE. Investors in the US also await comments from Fed officials for guidance on rates. India's 10Y yield was up by 1bps. However, following global cues, it is trading lower today at 7.0%.

Fig 3 – Bond 10Y yield

	13-02-2024	14-02-2024	change in bps
US	4.31	4.26	(6)
UK	4.15	4.04	(11)
Germany	2.39	2.34	(6)
Japan	0.73	0.75	3
China	2.42	2.44	2
India	7.10	7.11	1

Source: Bloomberg, Bank of Baroda Research, Note: China's market are closed through this week for Lunar New Year Holiday

Fig 4 – Short term rates

	13-02-2024	14-02-2024	change in bps
Tbill-91 days	7.02	7.04	2
Tbill-182 days	7.13	7.15	2
Tbill-364 days	7.12	7.14	2
G-Sec 2Y	7.03	7.08	5
India OIS-2M	6.80	6.80	0
India OIS-9M	6.73	6.75	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	13-02-2024	14-02-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	2.0	2.2	0.2
Reverse Repo	0	0	0
Repo	2.3	2.3	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	12-02-2024	13-02-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	114.4	111.5	(2.9)
Debt	87.8	83.3	(4.5)
Equity	26.6	28.1	1.6
Mutual funds (Rs cr)	(4,590.6)	(2,195.0)	2,395.6
Debt	(3,926.8)	(3,661.0)	265.8
Equity	(663.8)	1,466.0	2,129.8

Source: Bloomberg, Bank of Baroda Research, Note: Mutual fund data as of 9th and 12th Feb 2024

- Oil prices slipped amidst reports of more crude stocks than expected.

Fig 7 – Commodities

	13-02-2024	14-02-2024	% change
Brent crude (US\$/bbl)	82.8	81.6	(1.4)
Gold (US\$/ Troy Ounce)	1,993.2	1,992.3	(0.0)
Copper (US\$/ MT)	8,155.5	8,097.0	(0.7)
Zinc (US\$/MT)	2,291.0	2,288.8	(0.1)
Aluminium (US\$/MT)	2,225.5	2,235.5	0.4

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

Chief Economist

Bank of Baroda

+91 22 6698 5143

chief.economist@bankofbaroda.com