

MORNING MOCHA

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In line with market expectations, BoJ hiked rates for the 1st time in 17 years, as it increased short-term rates (primary policy tool) to 0-0.1% from (-) 0.1%. Negative rates had been in place since 2016 and the latest decision has been taken in view of Central Bank being confident in achieving 2% inflation target on sustainable basis from Jan'24 onwards. BoJ has also abolished YCC policy. Yen is holding ground so far, as the impact of this will be felt over the coming months. Separately, Reserve Bank of Australia also announced its decision to hold rates (cash rate at 4.35%) unchanged, in line with market expectations. The Central Bank acknowledged that while the inflation is coming down, it's more due to goods inflation, while services inflation remains elevated. Tightness in labour market and wage growth were also cited as cause of concerns. Next, investors await decisions of US Fed and BoE.

- Except FTSE (lower), other global stock indices closed higher. US indices ended in green ahead of the Fed meeting. Moreover, gains in technology related stocks supported the market. Nikkei climbed higher, followed by gains in Shanghai Comp. Sensex rebounded led by gains in metal and auto stocks. However, it is trading lower today, while other Asian stocks are trading lower.

Fig 1 – Stock markets

	15-03-2024	18-03-2024	% change
Dow Jones	38,715	38,790	0.2
S & P 500	5,117	5,149	0.6
FTSE	7,727	7,723	(0.1)
Nikkei	38,708	39,740	2.7
Hang Seng	16,721	16,737	0.1
Shanghai Comp	3,055	3,085	1.0
Sensex	72,643	72,748	0.1
Nifty	22,023	22,056	0.1

Source: Bloomberg, Bank of Baroda Research

- Except INR and CNY, other global currencies ended weaker against the dollar. DXY rose by 0.1% as investors awaited key Central Bank decisions this week. Gains in 10Y yield added to dollar's strength. INR ended flat. But it is trading weaker today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	15-03-2024	18-03-2024	% change
EUR/USD (1 EUR / USD)	1.0889	1.0872	(0.2)
GBP/USD (1 GBP / USD)	1.2736	1.2729	(0.1)
USD/JPY (JPY / 1 USD)	149.04	149.15	(0.1)
USD/INR (INR / 1 USD)	82.89	82.91	0
USD/CNY (CNY / 1 USD)	7.1970	7.1984	0

Source: Bloomberg, Bank of Baroda Research



- Global 10Y yields closed mixed. Yields in US, Germany and India rose, while they fell elsewhere. Investors await Fed's policy outcome for further guidance. Yields in Japan awaited BoJ's decision. BoJ has announced today that it is moving away from its negative rate and YCC regime. India's 10Y yield rose by 3bps, following rise in oil prices. It is trading flat today at 7.09%.

Fig 3 – Bond 10Y yield

	15-03-2024	18-03-2024	change in bps
US	4.31	4.32	2
UK	4.10	4.09	(1)
Germany	2.44	2.46	2
Japan	0.79	0.77	(2)
China	2.35	2.33	(2)
India	7.06	7.09	3

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	15-03-2024	18-03-2024	change in bps
Tbill-91 days	6.84	6.86	2
Tbill-182 days	7.08	7.09	1
Tbill-364 days	7.08	7.08	0
G-Sec 2Y	7.05	7.06	1
India OIS-2M	6.77	6.77	0
India OIS-9M	6.74	6.76	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	15-03-2024	18-03-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.7	0.7	0
Reverse Repo	0	0	0
Repo	0.5	0	(0.5)

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	14-03-2024	15-03-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(127.3)	208.6	335.8
Debt	(113.5)	115.3	228.8
Equity	(13.8)	93.3	107.1
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 jumped by 1.8%, due to supply side concerns (Iraq & Saudi exports).

Fig 7 – Commodities

	15-03-2024	18-03-2024	% change
Brent crude (US\$/bbl)	85.3	86.9	1.8
Gold (US\$/ Troy Ounce)	2,155.9	2,160.4	0.2
Copper (US\$/ MT)	8,968.5	8,986.1	0.2
Zinc (US\$/MT)	2,520.0	2,485.8	(1.4)
Aluminium (US\$/MT)	2,274.5	2,277.5	0.1

Source: Bloomberg, Bank of Baroda Research



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