

MORNING MOCHA

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ECONOMIST
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Globally, both consumer and business confidence indices took a beating in Aug'23. In Germany, the IFO business climate index fell to 85.7 (est.: 86.8) from 87.4 in Jul'23, while in the US, University of Michigan consumer sentiment index was down to 69.5 in Aug'23 from 71.2. Germany's final GDP print for Q2CY24 also confirmed stagnation (0% QoQ) in output. Despite signs of slowing growth, both Fed and ECB heads reiterated at Jackson Hole that rates will continue to remain high, as long as inflation is not brought down to targeted levels. Fed Chair even hinted at possibility of more rate hikes if need arises. In China, equity markets will get support from reduction in stamp duty on stock trades from today onwards.

- Global indices ended mixed after hawkish commentary from the highly anticipated Jackson Hole meet. US Fed chair reiterated the likelihood of more rate hikes if the inflation remains too high. Sensex ended in red, led by shedding in capital goods and real estate stocks. It is trading higher today in line with other Asian stocks.

Fig 1 – Stock markets

	24-08-2023	25-08-2023	% change
Dow Jones	34,099	34,347	0.7
S & P 500	4,376	4,406	0.7
FTSE	7,334	7,339	0.1
Nikkei	32,287	31,624	(2.1)
Hang Seng	18,212	17,956	(1.4)
Shanghai Comp	3,082	3,064	(0.6)
Sensex	65,252	64,887	(0.6)
Nifty	19,387	19,266	(0.6)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended lower against the dollar. DXY climbed up by 0.1% even as investors monitored hawkish comments by Fed officials. Yen continued to weaken as investors turned their focus towards any possible intervention by BoJ. INR depreciated as oil prices edged up. However, it is trading stronger today while other Asian currencies are trading mixed.

Fig 2 – Currencies

	24-08-2023	25-08-2023	% change
EUR/USD (1 EUR / USD)	1.0810	1.0796	(0.1)
GBP/USD (1 GBP / USD)	1.2602	1.2578	(0.2)
USD/JPY (JPY / 1 USD)	145.83	146.44	(0.4)
USD/INR (INR / 1 USD)	82.58	82.66	(0.1)
USD/CNY (CNY / 1 USD)	7.2799	7.2872	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Barring US (flat), other global yields inched up. 10Y yield in Germany rose the most (+5bps) as ECB chief signalled that rates will continue to remain elevated



until inflation is brought down to targeted levels. India's 10Y yield was up by 1bps as oil prices rose. However, it is trading lower today at 7.18%.

Fig 3 – Bond 10Y yield

	24-08-2023	25-08-2023	change in bps
US	4.24	4.24	0
UK	4.43	4.44	1
Germany	2.51	2.56	5
Japan	0.66	0.66	1
China	2.55	2.57	1
India	7.20	7.20	1

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	24-08-2023	25-08-2023	change in bps
Tbill-91 days	6.80	6.81	1
Tbill-182 days	7.00	7.01	1
Tbill-364 days	7.03	7.02	(1)
G-Sec 2Y	7.11	7.11	0
India OIS-2M	6.78	6.78	0
India OIS-9M	6.98	6.98	0
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.30	5.30	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	24-08-2023	25-08-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.3)	(0.1)	0.2
Reverse repo	0.3	0	(0.3)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	23-08-2023	24-08-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	117.5	237.6	120.0
Debt	8.8	(29.7)	(38.5)
Equity	108.7	267.2	158.5
Mutual funds (Rs cr)	1,001.9	563.4	(438.5)
Debt	291.1	75.9	(215.2)
Equity	710.8	487.5	(223.3)

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 2nd and 3rd Aug

- Crude oil prices rose by 1.3% amidst the news of China taking steps to support the economy, which in turn will boost the demand.

Fig 7 – Commodities

	24-08-2023	25-08-2023	% change
Brent crude (US\$/bbl)	83.4	84.5	1.3
Gold (US\$/ Troy Ounce)	1,916.9	1,915.0	(0.1)
Copper (US\$/ MT)	8,326.5	8,319.3	(0.1)
Zinc (US\$/MT)	2,377.8	2,371.0	(0.3)
Aluminium (US\$/MT)	2,157.5	2,150.5	(0.3)

Source: Bloomberg, Bank of Baroda Research



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