

## MORNING MOCHA

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ECONOMIST

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US CPI came in higher than expected (0.4% in Sep'23 on MoM basis) led by acceleration in shelter cost (0.6% from 0.3%) and services (0.6% from 0.4%). This raises expectation that Fed will keep rates elevated for longer time. China's inflation remained steady in Sep'23 (0.1% in Aug'23) against an expectation of 0.2%. On the other hand, producer price index remained in contraction (-2.5% from -3% in Aug'23). This raised concern of deflationary pressure in the economy. On domestic front, India's inflation and industrial growth surprised positively. CPI moderated to 5% from 6.8% in Aug'23 with core softening to 4.6%. Food inflation eased to 6.6% (9.9% in Aug'23) and fuel inflation contracted to 0.1% (+4.3% in Aug'23). Industrial growth expanded to 10.3% due to base effect and strong growth in infra goods.

- Global indices ended mixed. Investors monitored US inflation data which came in higher than anticipated (0.4% against est; 0.3%) and ECB minutes which highlighted differences among members along with concerns on growth as well as upside risks to inflation. Sensex ended in red and was dragged down by losses in IT stocks. It is trading lower today, in line with other Asian stocks.

**Fig 1 – Stock markets**

	11-10-2023	12-10-2023	% change
Dow Jones	33,805	33,631	(0.5)
S & P 500	4,377	4,350	(0.6)
FTSE	7,620	7,645	0.3
Nikkei	31,937	32,495	1.7
Hang Seng	17,893	18,238	1.9
Shanghai Comp	3,079	3,108	0.9
Sensex	66,473	66,408	(0.1)
Nifty	19,811	19,794	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed lower against the dollar. EUR dropped the most. DXY firmed up after higher than expected inflation data raised the possibility of Fed keeping rates higher for longer. INR depreciated by 0.1% as oil prices inched up. It is trading higher today, while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	11-10-2023	12-10-2023	% change
EUR/USD (1 EUR / USD)	1.0620	1.0528	(0.9)
GBP/USD (1 GBP / USD)	1.2313	1.2175	(1.1)
USD/JPY (JPY / 1 USD)	149.17	149.81	(0.4)
USD/INR (INR / 1 USD)	83.19	83.25	(0.1)
USD/CNY (CNY / 1 USD)	7.3007	7.3060	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Sovereign yields in US and Europe jumped sharply, following the release of hotter than expected US CPI print. US 10Y yield jumped 14bps. Probability of



one more rate hike by Fed has increased to 38% from 28% previously. On the other hand, India's 10Y yield fell by 1bps, even as oil prices showed slight upward movement. However, it is trading higher today at 7.37%, following global cues.

**Fig 3 – Bond 10Y yield**

	11-10-2023	12-10-2023	change in bps
US	4.56	4.70	14
UK	4.33	4.42	9
Germany	2.72	2.79	7
Japan	0.77	0.76	(1)
China	2.70	2.70	0
India	7.31	7.30	(1)

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	11-10-2023	12-10-2023	change in bps
Tbill-91 days	6.87	6.87	0
Tbill-182 days	7.10	7.09	(1)
Tbill-364 days	7.12	7.12	0
G-Sec 2Y	7.23	7.24	1
India OIS-2M	6.82	6.82	0
India OIS-9M	6.97	6.95	(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	11-10-2023	12-10-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.5	0.3	(0.1)
Reverse repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	10-10-2023	11-10-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(47.1)	(19.1)	28.0
Debt	61.6	2.3	(59.2)
Equity	(108.6)	(21.4)	87.2
Mutual funds (Rs cr)	(1,360.3)	1,515.6	2,875.9
Debt	(2,204.5)	(750.3)	1,454.2
Equity	844.2	2,265.9	1,421.7

Source: Bloomberg, Bank of Baroda Research Note: Mutual fund data as of 6<sup>th</sup> and 9<sup>th</sup> Oct 2023

- Oil prices inched up by 0.2%, amidst stronger build up in US crude stock piles.

**Fig 7 – Commodities**

	11-10-2023	12-10-2023	% change
Brent crude (US\$/bbl)	85.8	86.0	0.2
Gold (US\$/ Troy Ounce)	1,874.4	1,868.9	(0.3)
Copper (US\$/ MT)	7,946.5	7,915.8	(0.4)
Zinc (US\$/MT)	2,448.5	2,425.0	(1.0)
Aluminium (US\$/MT)	2,214.0	2,200.0	(0.6)

Source: Bloomberg, Bank of Baroda Research



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