

## MORNING MOCHA

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US core PCE index, Fed's preferred gauge of inflation, moderated to 3.7% in Sep'23, from 3.8% in Aug'23. Separately, University of Michigan's consumer expectation index fell to 63 in Oct'23 from 67.9 in Sep'23. Inflation expectations for the next 1-year as well as 5-10 years, inched up. The data will be important when the Fed meets this week. Apart from Fed, policy decisions of BoJ and BoE are also due this week. While the BoJ grapples with a depreciating currency and soaring yields, the dilemma for BoE will be to tame inflation which is still running hot. Apart from this, focus will also remain on developments in the Middle-East and corporate earnings results. On the data front, China's PMI, UK GDP, US consumer confidence index and global PMI's will be keenly awaited.

- Barring US and UK, other major global indices ended higher. Disappointing earnings results weighed on markets in US, with Dow Jones falling by 1.1%. Stocks in Asia rebounded amidst a recovery in technology shares. Hang Seng rose the most by 2.1%, followed by Nikkei which surged 1%. Sensex rose by 1% led by gains in power and real estate stocks. However, it is trading lower today in line with other Asian stocks.

**Fig 1 – Stock markets**

	26-10-2023	27-10-2023	% change
Dow Jones	32,784	32,418	(1.1)
S & P 500	4,137	4,117	(0.5)
FTSE	7,355	7,291	(0.9)
Nikkei	30,602	30,992	1.3
Hang Seng	17,045	17,399	2.1
Shanghai Comp	2,988	3,018	1.0
Sensex	63,148	63,783	1.0
Nifty	18,857	19,047	1.0

Source: Bloomberg, Bank of Baroda Research

- DXY edged a tad lower after data showed US core PCE index moderated in line with market expectations. Markets now await major central bank policy decisions. JPY appreciated by 0.5% ahead of BoJ meet. INR ended a tad weaker weighed down by higher oil prices. It opened flat today, while other Asian currencies are trading higher.

**Fig 2 – Currencies**

	26-10-2023	27-10-2023	% change
EUR/USD (1 EUR / USD)	1.0563	1.0565	0
GBP/USD (1 GBP / USD)	1.2129	1.2122	(0.1)
USD/JPY (JPY / 1 USD)	150.40	149.66	0.5
USD/INR (INR / 1 USD)	83.23	83.25	0
USD/CNY (CNY / 1 USD)	7.3168	7.3174	0

Source: Bloomberg, Bank of Baroda Research



- Except Japan and China, other global yields edged lower as investors brace for key central bank policy decisions. 10Y yield in UK fell the most by 5bps, followed by Germany. US 10Y yield fell by 1bps as US core PCE index moderated, suggesting that Fed is unlikely to hike rates again. India's 10Y yield fell by 1bps despite higher oil prices. It is trading flat today.

**Fig 3 – Bond 10Y yield**

	26-10-2023	27-10-2023	change in bps
US	4.84	4.83	(1)
UK	4.60	4.54	(5)
Germany	2.86	2.83	(3)
Japan	0.88	0.88	1
China	2.72	2.72	0
India	7.37	7.36	(1)

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	26-10-2023	27-10-2023	change in bps
Tbill-91 days	6.91	6.89	(2)
Tbill-182 days	7.12	7.05	(7)
Tbill-364 days	7.15	7.15	0
G-Sec 2Y	7.32	7.29	(2)
India OIS-2M	6.81	6.80	(1)
India OIS-9M	6.95	6.93	(2)
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.30	5.31	1

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	26-10-2023	27-10-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.9	0.9	0
Reverse repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	25-10-2023	26-10-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	33.7	(487.0)	(520.7)
Debt	(15.6)	(2.9)	12.6
Equity	49.3	(484.1)	(533.4)
Mutual funds (Rs cr)	(1,406.4)	(1,448.9)	(42.5)
Debt	(1,754.9)	(2,405.3)	(650.5)
Equity	348.4	956.4	608.0

Source: Bloomberg, Bank of Baroda Research | Note: Mutual fund data as of 17 Oct 2023 and 18 Oct 2023

- Oil prices inched up by 2.9% amidst simmering tensions in the Middle-East.

**Fig 7 – Commodities**

	26-10-2023	27-10-2023	% change
Brent crude (US\$/bbl)	87.9	90.5	2.9
Gold (US\$/ Troy Ounce)	1,984.7	2,006.4	1.1
Copper (US\$/ MT)	7,911.0	8,030.0	1.5
Zinc (US\$/MT)	2,426.3	2,462.8	1.5
Aluminium (US\$/MT)	2,197.5	2,220.0	1.0

Source: Bloomberg, Bank of Baroda Research



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