

MORNING MOCHA

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ECONOMIST
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BoJ in its latest policy has made a slight tweak in its YCC program. It has scrapped its reference to daily bond purchasing at a fixed level of 1%, albeit shying of market expectations of a greater relaxation in the same. Post this decision, yen weakened slightly. Apart from this, policy rate is retained at the same level. Inflation forecasts have been revised higher for this and upcoming fiscal. Elsewhere, in Germany, 3rd quarter preliminary estimate of GDP showed contraction of 0.1%, slightly lower than estimated contraction of 0.2%. The provisional Oct'23 CPI print of the region has also showed some softening. In China, both manufacturing (49.5 vs est.: 50.2) and non-manufacturing print (50.6 vs est.: 52), raised calls for more stimulus to support the economy. On domestic front, all eyes will be on month end releases.

- Except Japan, stock markets elsewhere ended in green. Investors await policy decisions of BoE and Fed, amidst growing expectations that global rates may have peaked. Stocks in US advanced the most, amidst better than expected earnings results. Sensex rose by 0.5%, led by gains in real estate and oil and gas stocks. However, it is trading lower today in line with other Asian stocks, after weak PMI data from China.

Fig 1 – Stock markets

	27-10-2023	30-10-2023	% change
Dow Jones	32,418	32,929	1.6
S & P 500	4,117	4,167	1.2
FTSE	7,291	7,327	0.5
Nikkei	30,992	30,697	(1.0)
Hang Seng	17,399	17,406	0.0
Shanghai Comp	3,018	3,022	0.1
Sensex	63,783	64,113	0.5
Nifty	19,047	19,141	0.5

Source: Bloomberg, Bank of Baroda Research

- Except INR (flat), other global currencies appreciated against the dollar. DXY was weaker ahead of Fed policy decision. EUR rose the most by 0.5% as Germany's GDP contracted less than expected. JPY too appreciated amidst hopes of a possible tweak in BoJ's YCC. INR, along with other Asian currencies is trading weaker today.

Fig 2 – Currencies

	27-10-2023	30-10-2023	% change
EUR/USD (1 EUR / USD)	1.0565	1.0615	0.5
GBP/USD (1 GBP / USD)	1.2122	1.2170	0.4
USD/JPY (JPY / 1 USD)	149.66	149.10	0.4
USD/INR (INR / 1 USD)	83.25	83.25	0
USD/CNY (CNY / 1 USD)	7.3174	7.3110	0.1

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. US 10Y yield rose by 6bps ahead of Fed meeting and waiting commentary on future course of rate action, on the back of resilient macros. Germany's 10Y yield fell a tad by 1bps as provisional CPI estimate showed moderation. India's 10Y yield rose by 2bps, amidst expectation of some OMO sales announcements. It is trading higher at 7.36% today.

Fig 3 – Bond 10Y yield

	27-10-2023	30-10-2023	change in bps
US	4.83	4.89	6
UK	4.54	4.56	2
Germany	2.83	2.82	(1)
Japan	0.88	0.89	1
China	2.72	2.72	0
India	7.36	7.37	2

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	27-10-2023	30-10-2023	change in bps
Tbill-91 days	6.89	6.89	0
Tbill-182 days	7.05	7.06	1
Tbill-364 days	7.15	7.16	1
G-Sec 2Y	7.32	7.29	(2)
India OIS-2M	6.80	6.80	0
India OIS-9M	6.93	6.93	0
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	27-10-2023	30-10-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.9	1.4	0.5
Reverse repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	26-10-2023	27-10-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(792.0)	(271.3)	520.7
Debt	(23.6)	28.2	51.8
Equity	(768.4)	(299.6)	468.8
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 fell tracking developments in the Middle-East.

Fig 7 – Commodities

	27-10-2023	30-10-2023	% change
Brent crude (US\$/bbl)	90.5	87.5	(3.3)
Gold (US\$/ Troy Ounce)	2,006.4	1,996.1	(0.5)
Copper (US\$/ MT)	8,030.0	8,068.8	0.5
Zinc (US\$/MT)	2,462.8	2,454.3	(0.3)
Aluminium (US\$/MT)	2,220.0	2,266.5	2.1

Source: Bloomberg, Bank of Baroda Research



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