

MORNING MOCHA

10 November 2023

ECONOMIST
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Better than expected initial jobless claims data of the US and hawkish commentary from Fed Chair Powell, pushed treasury yields higher and equity markets lower. Initial jobless claims for week ending 4 Nov 2023 came in at 217k (est.: 220k), versus upwardly revised 220k in claims in the previous week. Further, Fed Chair in his speech signalled that the central bank continues to maintain a tight vigil on inflation trajectory, and if needed, it will not hesitate to hike once again. Powell also signalled that rate cut should not be priced at this stage. Separately, RBA's statement reaffirms that members are of the view that inflation is more persistent than anticipated. Inflation forecasts have thus been revised higher, assuming peak policy rate of 4.5% and 3.5% by end CY25.

- Global indices ended mixed. Investors monitored hawkish commentary by Fed Chair Powell and also closely tracked elevated treasury yields. As a result, S&P 500 snapped and lost its winning streak, ending lower by 0.8%. Sensex also ended in red and was dragged down by losses in IT and oil & gas stocks. It opened lower today in line with other Asian stocks.

Fig 1 – Stock markets

	8-11-2023	9-11-2023	% change
Dow Jones	34,112	33,892	(0.6)
S & P 500	4,383	4,347	(0.8)
FTSE	7,402	7,456	0.7
Nikkei	32,166	32,646	1.5
Hang Seng	17,568	17,511	(0.3)
Shanghai Comp	3,052	3,053	0
Sensex	64,976	64,832	(0.2)
Nifty	19,444	19,395	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY ended higher by 0.3% after Fed Chair expressed of not being confident if Fed has done enough to curb inflation. Thereby adding to the uncertainty to the end of rate hike cycle. INR ended flat. It is trading stronger today while other Asian currencies are trading mixed.

Fig 2 – Currencies

	8-11-2023	9-11-2023	% change
EUR/USD (1 EUR / USD)	1.0709	1.0668	(0.4)
GBP/USD (1 GBP / USD)	1.2285	1.2223	(0.5)
USD/JPY (JPY / 1 USD)	150.98	151.35	(0.2)
USD/INR (INR / 1 USD)	83.28	83.29	0
USD/CNY (CNY / 1 USD)	7.2761	7.2846	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Global yields closed mixed. US 10Y yield jumped the most (+13bps) following hawkish commentary from Fed Chair indicating possibility of one more rate hike



in the coming months. India's 10Y yield closed flat, despite inch up in oil prices. It is trading a tad higher at 7.29% today.

Fig 3 – Bond 10Y yield

	8-11-2023	9-11-2023	change in bps
US	4.49	4.62	13
UK	4.24	4.27	3
Germany	2.62	2.65	3
Japan	0.86	0.84	(2)
China	2.65	2.65	0
India	7.27	7.28	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	8-11-2023	9-11-2023	change in bps
Tbill-91 days	6.91	6.91	0
Tbill-182 days	7.10	7.06	(4)
Tbill-364 days	7.13	7.13	0
G-Sec 2Y	7.25	7.23	(2)
India OIS-2M	6.82	6.82	0
India OIS-9M	6.84	6.84	0
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.32	5.32	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	8-11-2023	9-11-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.7	0.5	(0.2)
Reverse repo	0.2	0.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	7-11-2023	8-11-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	141.7	33.9	(107.8)
Debt	179.2	141.2	(38.0)
Equity	(37.5)	(107.3)	(69.7)
Mutual funds (Rs cr)	970.2	(833.1)	(1,803.3)
Debt	336.5	(805.0)	(1,141.5)
Equity	633.7	(28.1)	(661.8)

Source: Bloomberg, Bank of Baroda Research Note: Mutual fund data as of 2 and 3 Nov 2023

- Oil prices rose a tad as investors struggled to find balance between risks from Israel-Hamas war and weakening global economic fundamentals.

Fig 7 – Commodities

	8-11-2023	9-11-2023	% change
Brent crude (US\$/bbl)	79.5	80.0	0.6
Gold (US\$/ Troy Ounce)	1,950.2	1,958.6	0.4
Copper (US\$/ MT)	8,058.5	8,068.1	0.1
Zinc (US\$/MT)	2,605.8	2,599.2	(0.3)
Aluminium (US\$/MT)	2,263.5	2,242.5	(0.9)

Source: Bloomberg, Bank of Baroda Research



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