

MORNING MOCHA

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ECONOMIST

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Fed minutes highlighted the need to move 'carefully' and the need for policy to remain 'restrictive' in order to achieve the committee's 2% inflation objective. Thereby signalling the continuance of higher for longer narrative. Separately, Japan government downgraded the assessment of economy sighting weaker domestic demand and noted its 'pausing in parts'. On the other hand, Singapore's economy rose at a much faster pace than anticipated at 1.1% in Q3CY23 from 0.5% in Q2. Given this data, the trade ministry has revised growth projection for CY23 to 'around' 1% (earlier 0.5-1.5%).

- Barring Shanghai Comp (flat) and Sensex (higher), other global indices ended lower as investors' monitored Fed minutes. US indices snapped its winning streak and closed in red on the back of the disappointing home sales data. However, Sensex ended in green led by a rally in consumer durable and real estate stocks. It is trading higher today, while other Asian indices are trading mixed.

Fig 1 – Stock markets

	20-11-2023	21-11-2023	% change
Dow Jones	35,151	35,088	(0.2)
S & P 500	4,547	4,538	(0.2)
FTSE	7,496	7,482	(0.2)
Nikkei	33,388	33,354	(0.1)
Hang Seng	17,778	17,734	(0.2)
Shanghai Comp	3,068	3,068	0
Sensex	65,655	65,931	0.4
Nifty	19,694	19,783	0.5

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY rose by 0.1%-continuing to hover near 2.5 month low, as Fed is expected to have reached the peak of its rate hike cycle. JPY ended flat, as investors seek more guidance from BoJ amidst reports of possible withdrawal from ultra-loose monetary policy stance. INR ended flat, but is trading higher today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	20-11-2023	21-11-2023	% change
EUR/USD (1 EUR / USD)	1.0940	1.0911	(0.3)
GBP/USD (1 GBP / USD)	1.2505	1.2539	0.3
USD/JPY (JPY / 1 USD)	148.39	148.39	0
USD/INR (INR / 1 USD)	83.35	83.35	0
USD/CNY (CNY / 1 USD)	7.1669	7.1407	0.4

Source: Bloomberg, Bank of Baroda Research

- Barring India and China (higher), other global yields closed lower. 10Y yields in Germany, Japan and US fell the most, as investors reviewed minutes of Fed's



last meeting. Slump in housing sales also raised concerns over slowdown in economy. India's 10Y yield increased a tad to 7.27%, as oil remain higher. However, it is trading lower today at 7.26%.

Fig 3 – Bond 10Y yield

	20-11-2023	21-11-2023	change in bps
US	4.42	4.39	(3)
UK	4.13	4.11	(2)
Germany	2.61	2.57	(5)
Japan	0.75	0.70	(5)
China	2.66	2.67	1
India	7.26	7.27	1

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	20-11-2023	21-11-2023	change in bps
Tbill-91 days	6.89	6.91	2
Tbill-182 days	7.07	7.07	0
Tbill-364 days	7.10	7.10	0
G-Sec 2Y	7.23	7.25	3
India OIS-2M	6.86	6.86	0
India OIS-9M	6.89	6.90	1
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.32	5.31	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	20-11-2023	21-11-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.0	1.7	0.7
Reverse repo	0.2	0.2	0.2
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	17-11-2023	20-11-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(65.7)	(76.0)	(10.3)
Debt	(20.9)	(4.1)	16.8
Equity	(44.8)	(71.9)	(27.1)
Mutual funds (Rs cr)	(2,469.4)	(1,575.2)	894.2
Debt	(3,311.6)	(1,799.5)	1,512.1
Equity	842.2	224.3	(617.9)

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 16 and 17 Nov 2023

- Oil prices inched up by 0.2% as investors remained cautious ahead of the OPEC+ meet.

Fig 7 – Commodities

	20-11-2023	21-11-2023	% change
Brent crude (US\$/bbl)	82.3	82.5	0.2
Gold (US\$/ Troy Ounce)	1,978.1	1,998.3	1.0
Copper (US\$/ MT)	8,340.3	8,353.0	0.2
Zinc (US\$/MT)	2,559.5	2,543.0	(0.6)
Aluminium (US\$/MT)	2,245.5	2,258.5	0.6

Source: Bloomberg, Bank of Baroda Research



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