

MORNING MOCHA

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A spate of economic data across US suggested that the economy is moderating but it remains strong enough to avoid recession. US durable goods order declined more than anticipated by 5.4% in Oct'23 (+4.6% in Sep'23). Additionally, US consumer sentiment weakened in Nov'23 to 61.3 (63.8 in Oct'23) as concerns of higher inflation re-emerged. On the other hand, initial jobless claims for the week ending Nov 18, fell more than expected, down to 209k (expectation: 226k) suggesting strong labor market. This came at the backdrop of the recently released Fed minutes which signalled a 'cautious' approach. Separately, Australia's business activity contracted at it fastest pace down to 46.4 in Nov'23 (47.6 in Oct'23) with both manufacturing and services dipping down to 47.7 and 46.3 levels respectively.

- Global indices ended mixed. US indices rebounded as investors monitored recent data releases. FTSE slipped for the 3rd straight session led by fall in energy stocks amidst a drop in oil prices. Sensex ended in green led by gains in power and auto stocks. It is trading higher today, while other Asian indices are trading mixed.

Fig 1 – Stock markets

| | 21-11-2023 | 22-11-2023 | % change |
|---------------|------------|------------|----------|
| Dow Jones | 35,088 | 35,273 | 0.5 |
| S & P 500 | 4,538 | 4,557 | 0.4 |
| FTSE | 7,482 | 7,470 | (0.2) |
| Nikkei | 33,354 | 33,452 | 0.3 |
| Hang Seng | 17,734 | 17,735 | 0 |
| Shanghai Comp | 3,068 | 3,044 | (0.8) |
| Sensex | 65,931 | 66,023 | 0.1 |
| Nifty | 19,783 | 19,812 | 0.1 |

Source: Bloomberg, Bank of Baroda Research

- Except INR, other global currencies depreciated against the dollar. DXY rose by 0.3% as US jobless claims fell more than expected, suggesting continued tightness in the labour market. JPY depreciated the most by 0.8%. EUR too fell by 0.2% as ECB officials hinted that policy rates may have peaked. INR pulled back marginally from a record-low as oil prices eased. It is trading further stronger today, in line with other Asian currencies.

Fig 2 – Currencies

| | 21-11-2023 | 22-11-2023 | % change |
|-----------------------|------------|------------|----------|
| EUR/USD (1 EUR / USD) | 1.0911 | 1.0888 | (0.2) |
| GBP/USD (1 GBP / USD) | 1.2539 | 1.2494 | (0.4) |
| USD/JPY (JPY / 1 USD) | 148.39 | 149.54 | (0.8) |
| USD/INR (INR / 1 USD) | 83.35 | 83.32 | 0.0 |
| USD/CNY (CNY / 1 USD) | 7.1407 | 7.1648 | (0.3) |

Source: Bloomberg, Bank of Baroda Research



- Barring Germany and India (lower), other global yields closed higher. 10Y yield in UK rose by 5bps, after the government announced a smaller than expected cut to its borrowing program. US 10Y yield rose by 1bps tracking macro data. 10Y yields in Japan and China rose by 2bps each. India's 10Y yield fell by 3bps tracking a dip in oil prices. However, it is trading a tad higher at 7.26% today.

Fig 3 – Bond 10Y yield

| | 21-11-2023 | 22-11-2023 | change in bps |
|---------|------------|------------|---------------|
| US | 4.39 | 4.40 | 1 |
| UK | 4.11 | 4.16 | 5 |
| Germany | 2.57 | 2.56 | (1) |
| Japan | 0.70 | 0.73 | 2 |
| China | 2.67 | 2.69 | 2 |
| India | 7.27 | 7.25 | (3) |

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

| | 21-11-2023 | 22-11-2023 | change in bps |
|--------------------------|------------|------------|---------------|
| Tbill-91 days | 6.91 | 6.94 | 3 |
| Tbill-182 days | 7.07 | 7.10 | 3 |
| Tbill-364 days | 7.10 | 7.14 | 4 |
| G-Sec 2Y | 7.25 | 7.25 | 0 |
| India OIS-2M | 6.86 | 6.86 | 0 |
| India OIS-9M | 6.90 | 6.90 | 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 | 21-11-2023 | 22-11-2023 | change (Rs tn) |
|-----------------------------------|------------|------------|----------------|
| Net Liquidity (-Surplus/+deficit) | 1.7 | 1.8 | 0.1 |
| Reverse repo | 0.2 | 0.2 | 0 |
| Repo | 0 | 0 | 0 |

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

| | 20-11-2023 | 21-11-2023 | change (US\$ mn/Rs cr) |
|----------------------|------------|------------|------------------------|
| FII (US\$ mn) | (76.0) | 63.1 | 139.1 |
| Debt | (4.1) | 81.4 | 85.5 |
| Equity | (71.9) | (18.3) | 53.6 |
| Mutual funds (Rs cr) | (1,522.2) | 1,033.7 | 2,555.8 |
| Debt | (1,746.5) | 569.6 | 2,316.1 |
| Equity | 224.3 | 464.1 | 239.8 |

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 17 and 20 Nov 2023

- Oil prices slipped down by 0.6% amidst a postponement of OPEC+ meet.

Fig 7 – Commodities

| | 21-11-2023 | 22-11-2023 | % change |
|-------------------------|------------|------------|----------|
| Brent crude (US\$/bbl) | 82.5 | 82.0 | (0.6) |
| Gold (US\$/ Troy Ounce) | 1,998.3 | 1,990.2 | (0.4) |
| Copper (US\$/ MT) | 8,353.0 | 8,253.0 | (1.2) |
| Zinc (US\$/MT) | 2,543.0 | 2,486.9 | (2.2) |
| Aluminium (US\$/MT) | 2,258.5 | 2,218.5 | (1.8) |

Source: Bloomberg, Bank of Baroda Research



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