

MORNING MOCHA

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US Conference Board consumer confidence index rose to 102 in Nov'23 (est. 101.0) from 99.1 in Oct'23. Even so, consumers' expectations of a recession next year remained elevated. Comments from Fed's Christopher Waller hinted at a likely Fed pivot in the coming months, if inflation continues to tread lower. On the other hand, another key Fed official Michelle Bowman stated that more policy tightening might be required. While the Fed is likely to keep policy rates on hold in Dec'23, odds of rate cut next year have risen, with some analysts expecting a rate cut as soon as Mar'24. Separately, consumer confidence in Germany edged up marginally to -27.8 in Dec'23 from -28.3 in Nov'23. Reserve Bank of New Zealand kept its policy rate steady at 5.5%, but projected a peak rate of 5.7%, suggesting more hikes.

- Global stocks ended mixed. US stocks were supported by dovish comments of some Fed officials. Even Christopher Waller, one of the hawkish Fed official said that Fed is well positioned to push inflation to 2% target. Amongst Asian stocks, Hang Seng fell the most, led by decline in banking stocks. Sensex rose by 0.3%, supported by power and oil and gas stocks. It is trading higher today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	27-11-2023	28-11-2023	% change
Dow Jones	35,333	35,417	0.2
S & P 500	4,550	4,555	0.1
FTSE	7,461	7,455	(0.1)
Nikkei	33,448	33,408	(0.1)
Hang Seng	17,525	17,354	(1.0)
Shanghai Comp	3,032	3,039	0.2
Sensex	65,970	66,174	0.3
Nifty	19,795	19,890	0.5

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 27 Nov 2023

- Global currencies continued to gain against the dollar. DXY fell by 0.4% to its lowest since Aug'23, as traders anticipate sooner than expected rate cuts from the Fed. JPY appreciated the most by 0.8%. INR too recovered from a record-low, despite higher oil prices. It is trading further stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	27-11-2023	28-11-2023	% change
EUR/USD (1 EUR / USD)	1.0954	1.0993	0.4
GBP/USD (1 GBP / USD)	1.2627	1.2694	0.5
USD/JPY (JPY / 1 USD)	148.69	147.48	0.8
USD/INR (INR / 1 USD)	83.38	83.34	0
USD/CNY (CNY / 1 USD)	7.1528	7.1363	0.2

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 27 Nov 2023



- Global yields broadly closed lower. US 10Y yield fell the most as a pivot in policy rate is soon anticipated amidst dovish comments from some Fed officials. Germany's and UK's 10Y yield also softened. In UK, BRC shop price index moderated, providing some comfort on inflation. India's 10Y yield inched a tad bit by 1bps. It is trading lower at 7.24% today, taking cues from global markets.

Fig 3 – Bond 10Y yield

	27-11-2023	28-11-2023	change in bps
US	4.39	4.32	(7)
UK	4.21	4.17	(4)
Germany	2.55	2.50	(5)
Japan	0.78	0.76	(2)
China	2.71	2.69	(2)
India	7.27	7.28	1

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 27 Nov 2023

Fig 4 – Short term rates

	27-11-2023	28-11-2023	change in bps
Tbill-91 days	6.94	6.98	4
Tbill-182 days	7.09	7.08	(1)
Tbill-364 days	7.12	7.13	1
G-Sec 2Y	7.26	7.28	1
India OIS-2M	6.88	6.87	(1)
India OIS-9M	6.91	6.89	(2)
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.32	5.32	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 27 Nov 2023

Fig 5 – Liquidity

Rs tn	24-11-2023	28-11-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.2	1.1	(0.1)
Reverse repo	0.2	0.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research | Note: Markets in India were closed on 27 Nov 2023

Fig 6 – Capital market flows

	23-11-2023	24-11-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(32.6)	508.6	541.2
Debt	(204.6)	206.0	410.6
Equity	172.0	302.6	130.6
Mutual funds (Rs cr)	2,349.7	(1,847.5)	(4,197.2)
Debt	763.1	(2,198.5)	(2,961.5)
Equity	1,586.6	351.0	(1,235.7)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual fund data as of 22 Nov 2023 and 23 Nov 2023

- Oil rose as storms in Black Sea region have led to fears of supply disruption.

Fig 7 – Commodities

	27-11-2023	28-11-2023	% change
Brent crude (US\$/bbl)	80.0	81.7	2.1
Gold (US\$/ Troy Ounce)	2,014.1	2,041.0	1.3
Copper (US\$/ MT)	8,259.3	8,387.8	1.6
Zinc (US\$/MT)	2,532.3	2,537.0	0.2
Aluminium (US\$/MT)	2,210.5	2,217.0	0.3

Source: Bloomberg, Bank of Baroda Research



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