

## MORNING MOCHA

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ECONOMIST  
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Manufacturing PMIs from across regions indicates that activity continued to remain under pressure in Nov'23. US ISM manufacturing index came in at 46.7 (est.: 47.8), unchanged from Oct'23. In case of Eurozone, activity contracted at a slower pace (44.2 versus 43.8) as the PMIs moved up a tad in both Germany (42.6 versus 42.3) and France (42.9 versus 42.6). Asia remains a brighter spot as India's manufacturing activity continued to improve in Nov'23 (56 versus 55.5 in Oct'23). Pick up in South Korea's exports in Nov'23 (7.8% versus 5.1% in Oct'23) also gives hope of improving demand conditions. Separately, oil prices fell sharply as OPEC+ members opted for less than expected voluntary cuts (2.2mn bpd) for early next year.

- Barring Nikkei and Hang Seng, other global indices ended lower. US indices closed in green, supported by optimism of Fed beginning with the rate cut cycle soon (US PCE-Fed's gauge of inflation rose in line with expectation). Sensex too advanced, supported by gains in power and cap good stocks. It is trading further higher today while other Asian stocks are trading mixed.

**Fig 1 – Stock markets**

	30-11-2023	1-12-2023	% change
Dow Jones	35,951	36,246	0.8
S & P 500	4,568	4,595	0.6
FTSE	7,454	7,529	1.0
Nikkei	33,487	33,432	(0.2)
Hang Seng	17,043	16,830	(1.2)
Shanghai Comp	3,030	3,032	0.1
Sensex	66,988	67,481	0.7
Nifty	20,133	20,268	0.7

Source: Bloomberg, Bank of Baroda Research

- Except EUR (flat), other global currencies ended higher against the dollar. DXY retreated by 0.2% amidst commentary by Fed officials which signalled dovish bets. Yen strengthened, as expectation of BoJ leaving the ultra-loose monetary policy increased. INR appreciated as oil prices dipped. However, it is trading lower today, while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	30-11-2023	1-12-2023	% change
EUR/USD (1 EUR / USD)	1.0888	1.0884	0
GBP/USD (1 GBP / USD)	1.2624	1.2710	0.7
USD/JPY (JPY / 1 USD)	148.20	146.82	0.9
USD/INR (INR / 1 USD)	83.40	83.30	0.1
USD/CNY (CNY / 1 USD)	7.1350	7.1285	0.1

Source: Bloomberg, Bank of Baroda Research

- Global yields closed mixed. 10Y yields in US (-13bps) and Germany (-9bps) fell the most, as muted manufacturing PMI data from across regions reaffirmed the



views that major central banks are done hiking rates. Analysts are even pricing in a rate cut by Fed in H1CY24, even as Fed Chair Powell's latest speech suggested otherwise. India's 10Y yield rose a tad to 7.29%, even as oil prices dropped. Following global cues, it is trading lower today at 7.27%.

**Fig 3 – Bond 10Y yield**

	30-11-2023	1-12-2023	change in bps
US	4.33	4.20	(13)
UK	4.18	4.14	(4)
Germany	2.45	2.36	(9)
Japan	0.67	0.70	2
China	2.69	2.68	0
India	7.28	7.29	1

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	30-11-2023	1-12-2023	change in bps
Tbill-91 days	6.97	6.98	1
Tbill-182 days	7.13	7.11	(2)
Tbill-364 days	7.13	7.11	(2)
G-Sec 2Y	7.26	7.27	1
India OIS-2M	6.87	6.87	0
India OIS-9M	6.86	6.87	1
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.31	5.33	2

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	30-11-2023	1-12-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.5	(0.1)	(0.6)
Reverse repo	0.2	0	(0.2)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	29-11-2023	30-11-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	554.2	1,158.2	604.0
Debt	36.5	(10.9)	(47.4)
Equity	517.7	1,169.1	651.4
Mutual funds (Rs cr)	(4,123.1)	3,158.9	7,282.1
Debt	(6,026.9)	349.0	6,375.9
Equity	1,903.8	2,809.9	906.1

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 28 and 29 Nov 2023

- Oil prices fell as OPEC+ announced less than expected production cuts.

**Fig 7 – Commodities**

	30-11-2023	1-12-2023	% change
Brent crude (US\$/bbl)	82.8	78.9	(4.8)
Gold (US\$/ Troy Ounce)	2,036.4	2,072.2	1.8
Copper (US\$/ MT)	8,387.5	8,538.5	1.8
Zinc (US\$/MT)	2,466.8	2,505.5	1.6
Aluminium (US\$/MT)	2,193.0	2,209.0	0.7

Source: Bloomberg, Bank of Baroda Research



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