

MORNING MOCHA

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As a concern for global economy, deflationary pressures in China continue to persist. China's CPI fell by (-) 0.2% in Oct'23 (est.: -0.1%), following flat growth in Sep'23 (0%). Headline print was impacted by food prices, particularly 30% decline in pork prices. However, even core inflation eased (0.6% versus 0.8%), due to sluggish demand conditions and ongoing debt troubles in the property sector. Even PPI remained in the negative territory (-2.6% versus -2.5% in Sep'23) for the 13th consecutive month now. Separately, in Eurozone, demand too remains muted as retail sales fell by (-) 0.3% (MoM) in Oct'23 versus est.: (-) 0.2% and (-) 1.2% in Sep'23. This was on account of dip in sales of non-food items (-1.9%), online sales (-1.9%) and fuel sales (-0.9%). Higher prices is also the key reason for dip in sales.

- Global indices ended mixed. European indices ended lower as investor monitored corporate earnings. S&P 500 continued its winning streak. Treasury yields retreated and pushed the stock rally further. Amongst indices, Hang Seng dropped the most. Sensex ended in green led by gains in real estate and oil & gas stocks. It opened flat today while other Asian stocks are trading higher.

Fig 1 – Stock markets

	7-11-2023	8-11-2023	% change
Dow Jones	34,153	34,112	(0.1)
S & P 500	4,378	4,383	0.1
FTSE	7,410	7,402	(0.1)
Nikkei	32,272	32,166	(0.3)
Hang Seng	17,670	17,568	(0.6)
Shanghai Comp	3,057	3,052	(0.2)
Sensex	64,942	64,976	0.1
Nifty	19,407	19,444	0.2

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY remained steady amidst expectation of Fed nearing its rate hike cycle. JPY fell by 0.4% as investors expect a possible intervention. INR ended flat. It is trading stronger today while other Asian currencies are trading mixed.

Fig 2 – Currencies

	7-11-2023	8-11-2023	% change
EUR/USD (1 EUR / USD)	1.0700	1.0709	0.1
GBP/USD (1 GBP / USD)	1.2300	1.2285	(0.1)
USD/JPY (JPY / 1 USD)	150.37	150.98	(0.4)
USD/INR (INR / 1 USD)	83.27	83.28	0
USD/CNY (CNY / 1 USD)	7.2800	7.2761	0.1

Source: Bloomberg, Bank of Baroda Research

- Global yields closed lower, led by 7bps decline as investors await for more cues on state of the economy in the US and remarks of various Fed officials. Yield in



UK continued to benefit from increased probability of rate cuts by mid-2024. India's 10Y yield was down by 1bps as oil prices eased. It is trading further lower today at 7.25%.

Fig 3 – Bond 10Y yield

	7-11-2023	8-11-2023	change in bps
US	4.57	4.49	(7)
UK	4.27	4.24	(3)
Germany	2.66	2.62	(4)
Japan	0.88	0.86	(3)
China	2.67	2.65	(2)
India	7.28	7.27	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	7-11-2023	8-11-2023	change in bps
Tbill-91 days	6.93	6.91	(2)
Tbill-182 days	7.03	7.10	7
Tbill-364 days	7.14	7.13	(1)
G-Sec 2Y	7.25	7.23	(2)
India OIS-2M	6.82	6.82	0
India OIS-9M	6.86	6.84	(2)
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	7-11-2023	8-11-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.2	0.7	0.5
Reverse repo	0.2	0.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	6-11-2023	7-11-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	41.8	141.7	99.8
Debt	(1.4)	179.2	180.6
Equity	43.3	(37.5)	(80.8)
Mutual funds (Rs cr)	183.3	(267.8)	(451.0)
Debt	40.4	(84.5)	(124.8)
Equity	142.9	(183.3)	(326.2)

Source: Bloomberg, Bank of Baroda Research Note: Mutual fund data as of 31 Oct and 1 Nov 2023

- Oil prices fell by 2.5% over concerns of weak demand (China, Europe) and excess supply (US).

Fig 7 – Commodities

	7-11-2023	8-11-2023	% change
Brent crude (US\$/bbl)	81.6	79.5	(2.5)
Gold (US\$/ Troy Ounce)	1,969.5	1,950.2	(1.0)
Copper (US\$/ MT)	8,101.0	8,058.5	(0.5)
Zinc (US\$/MT)	2,557.8	2,605.8	1.9
Aluminium (US\$/MT)	2,265.0	2,263.5	(0.1)

Source: Bloomberg, Bank of Baroda Research



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