

## MORNING MOCHA

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ECONOMIST  
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US factory orders in Oct'23 declined (-3.6% MoM) more than expected (-3%), following downwardly revised print of 2.3% growth in Sep'23. Within this, durable manufacturing orders declined by -5.4%, unchanged from previous month and core orders (proxy for business investment) were down by -0.3% versus est.: -0.1%. This supports the view that rate hike bets are off the table, but Fed Chair's latest remarks have brought uncertainty about the timing of rate cuts. Elsewhere in Asia, services activity in Nov'23 is showing mixed trends. In Japan, it rose at a slower pace with PMI index coming in at 50.8 versus 51.6 in Oct'23, while in China it accelerated (51.5 versus 50.4). In Australia, activity weakened further in Nov'23 (46 versus 47.9). To bring inflation in check, RBA has held rates unchanged in today's policy decision.

- Barring Sensex, other global indices ended lower. US indices too ended in red; investors deemed the possibility of Fed pivot as too optimistic and await the release more economic data (US Jobs report). Nikkei declined and was dragged down by losses in chip making stocks ahead of the release of the inflation data. Sensex climbed up led by gains in oil & gas and banking stocks. It is trading higher today while other Asian stocks are trading mixed.

**Fig 1 – Stock markets**

	1-12-2023	4-12-2023	% change
Dow Jones	36,246	36,204	(0.1)
S & P 500	4,595	4,570	(0.5)
FTSE	7,529	7,513	(0.2)
Nikkei	33,432	33,231	(0.6)
Hang Seng	16,830	16,646	(1.1)
Shanghai Comp	3,032	3,023	(0.3)
Sensex	67,481	68,865	2.1
Nifty	20,268	20,687	2.1

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended lower against the dollar. DXY rebounded by 0.4% ahead of the US jobs report. Euro declined after subdued data from Germany (exports) and awaited the release of GDP and retail sales data. INR depreciated despite the dip in oil prices. It is trading weaker today while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	1-12-2023	4-12-2023	% change
EUR/USD (1 EUR / USD)	1.0878	1.0836	(0.4)
GBP/USD (1 GBP / USD)	1.2692	1.2633	(0.5)
USD/JPY (JPY / 1 USD)	146.72	147.21	(0.3)
USD/INR (INR / 1 USD)	83.30	83.36	(0.1)
USD/CNY (CNY / 1 USD)	7.1285	7.1434	(0.2)

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. 10Y yields in US (+6bps) and UK (+5bps) inched up the most, as investors reacted to Fed Chair Powell's statement indicating that it is premature to talk about rate cuts. Labour market data for US is also awaited to gauge future trajectory of Fed rates. India's 10Y yield fell by 2bps to 7.27%, as oil prices dropped and is trading flat today.

**Fig 3 – Bond 10Y yield**

	1-12-2023	4-12-2023	change in bps
US	4.20	4.25	6
UK	4.14	4.19	5
Germany	2.36	2.35	(1)
Japan	0.70	0.70	0
China	2.68	2.69	1
India	7.29	7.27	(2)

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	1-12-2023	4-12-2023	change in bps
Tbill-91 days	6.98	7.00	2
Tbill-182 days	7.11	7.14	3
Tbill-364 days	7.11	7.15	4
G-Sec 2Y	7.27	7.25	(2)
India OIS-2M	6.87	6.87	0
India OIS-9M	6.87	6.86	(1)
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.33	5.39	6

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	1-12-2023	4-12-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.1)	(0.1)	0
Reverse repo	0	0.2	0.2
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	30-11-2023	1-12-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	1,158.2	816.9	(341.3)
Debt	(10.9)	131.0	141.9
Equity	1,169.1	685.9	(483.2)
Mutual funds (Rs cr)	8,015.1	(4,206.0)	(12,221.2)
Debt	3,793.2	(3,506.5)	(7,299.7)
Equity	4,222.0	(699.5)	(4,921.5)

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 29 and 30 Nov 2023

- Oil prices decline further, led by sluggish global manufacturing activity.

**Fig 7 – Commodities**

	1-12-2023	4-12-2023	% change
Brent crude (US\$/bbl)	78.9	78.0	(1.1)
Gold (US\$/ Troy Ounce)	2,072.2	2,029.4	(2.1)
Copper (US\$/ MT)	8,538.5	8,362.8	(2.1)
Zinc (US\$/MT)	2,505.5	2,444.5	(2.4)
Aluminium (US\$/MT)	2,209.0	2,182.0	(1.2)

Source: Bloomberg, Bank of Baroda Research



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