

## MORNING MOCHA

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ECONOMIST

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Widening of the conflict in Middle East weighed in on the investor sentiments as global markets remained attuned to the turmoil. As a result, crude oil prices surged by 4.2% with the possibility of supply constraints which might push prices higher. Gold prices also edged up, pushing higher demand for safe havens. Additionally, such escalations usually heighten the layer of uncertainty. Separately, US Fed officials in their latest commentary turned dovish signalling no more rate hike. They noted of carefully monitoring the rise in yields and will 'assess the extent of any additional policy firming that may be necessary'. Markets will also turn their attention towards the earnings reports.

- Global indices ended mixed. US stocks advanced amidst a rally in energy stocks as investors monitored the developments around the Middle East. Dovish commentary by Fed officials further supported the market. Sensex ended in red and was dragged down by losses in power and consumer good stocks. However, it is trading higher today, in line with other Asian indices.

**Fig 1 – Stock markets**

	06-10-2023	09-10-2023	% change
Dow Jones	33,408	33,605	0.6
S & P 500	4,309	4,336	0.6
FTSE	7,495	7,492	0
Nikkei	31,075	30,995	(0.3)
Hang Seng	17,486	17,517	0.2
Shanghai Comp	3,110	3,097	(0.4)
Sensex	65,996	65,512	(0.7)
Nifty	19,654	19,512	(0.7)

Source: Bloomberg, Bank of Baroda Research

- Barring INR (lower), other global currencies ended higher. DXY ended flat while JPY and GBP gained the most. Softening US Fed rate hike expectations weighed down on DXY, while Yen's performance was boosted by safe-haven demand. INR fell by 0.1% as oil prices increased. It is trading a tad higher today, in line with other Asian currencies.

**Fig 2 – Currencies**

	06-10-2023	09-10-2023	% change
EUR/USD (1 EUR / USD)	1.0551	1.0567	0.2
GBP/USD (1 GBP / USD)	1.2204	1.2238	0.3
USD/JPY (JPY / 1 USD)	149.08	148.51	0.4
USD/INR (INR / 1 USD)	83.19	83.27	(0.1)
USD/CNY (CNY / 1 USD)	7.2980	7.2926	0.1

Source: Bloomberg, Bank of Baroda Research

- Global yields closed mixed, with 10Y yield in Japan ending flat and UK and German yields seeing significant decline. Dovish comments from Fed official



suggesting lesser need to hike rates, along with increased geo-political uncertainty (Israel conflict), impacted investor sentiments. India's 10Y yield rose by 4bps, as oil prices jumped 4%. It trading higher at 7.41% today.

**Fig 3 – Bond 10Y yield**

	06-10-2023	09-10-2023	change in bps
US	4.72	4.80	8
UK	4.57	4.48	(10)
Germany	2.88	2.77	(11)
Japan	0.81	0.81	0
China	2.68	2.67	(1)
India	7.34	7.38	4

Source: Bloomberg, Bank of Baroda Research , Market in US were closed on 9.10.23

**Fig 4 – Short term rates**

	06-10-2023	09-10-2023	change in bps
Tbill-91 days	6.86	6.86	0
Tbill-182 days	7.06	7.08	2
Tbill-364 days	7.10	7.12	2
G-Sec 2Y	7.33	7.35	2
India OIS-2M	6.86	6.85	(1)
India OIS-9M	7.01	7.01	0
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	06-10-2023	09-10-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0	0	0
Reverse repo	0	0.1	0.1
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	05-10-2023	06-10-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(7.3)	154.0	161.3
Debt	33.2	121.5	88.2
Equity	(40.5)	32.5	73.1
Mutual funds (Rs cr)	1,126.8	(648.1)	(1,774.8)
Debt	834.0	(1,196.3)	(2,030.3)
Equity	292.8	548.2	255.5

Source: Bloomberg, Bank of Baroda Research

- Oil prices rose amidst ongoing geopolitical tensions.

**Fig 7 – Commodities**

	06-10-2023	09-10-2023	% change
Brent crude (US\$/bbl)	84.6	88.2	4.2
Gold (US\$/ Troy Ounce)	1,833.0	1,861.4	1.5
Copper (US\$/ MT)	7,971.3	8,039.3	0.9
Zinc (US\$/MT)	2,481.8	2,483.0	0.1
Aluminium (US\$/MT)	2,239.5	2,241.5	0.1

Source: Bloomberg, Bank of Baroda Research



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