

MORNING MOCHA

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The latest inflation print before Fed policy meeting came in higher than street estimates. On MoM basis, it picked up by 0.1% against expectation of a flat reading. This was led by increase in housing and other service sector costs, which still reaffirms that some growth momentum is building up. The core print has also been sticky at 0.3%. Real average weekly earnings on YoY basis have risen at a faster pace in Nov'23, which signals that wage cost pressures remain elevated. This has increased the probability that an aggressive pivot towards easing is unlikely in the immediate term. In Germany, Zew survey expectations improved amidst hopes of easing financial conditions. On domestic front, CPI surprised slightly on the downside, despite key supply side risks and IIP data reflected better growth picture.

- Global markets ended mixed. Investors monitored easing wage growth in UK, unexpected pickup in US inflation and uptick in Germany's economic sentiment index. Markets also await updated growth and inflation projections from the Fed. Stocks in Hong Kong rose the most, followed by US. In India, Sensex fell from its record-high led by losses in real estate and oil & gas stocks. It is trading further lower today, in line with other Asian markets.

Fig 1 – Stock markets

	11-12-2023	12-12-2023	% change
Dow Jones	36,405	36,578	0.5
S & P 500	4,622	4,644	0.5
FTSE	7,545	7,543	0
Nikkei	32,792	32,844	0.2
Hang Seng	16,201	16,375	1.1
Shanghai Comp	2,991	3,003	0.4
Sensex	69,929	69,551	(0.5)
Nifty	20,997	20,906	(0.4)

Source: Bloomberg, Bank of Baroda Research

- Except INR and CNY (flat), other global currencies gained against the dollar. DXY fell by 0.2% awaiting outcome of the Fed meeting, after an unexpected inflation report. EUR rose by 0.3% as Zew's economic sentiment index for Germany picked up. GBP too edged up after a mixed jobs report. INR is trading marginally stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	11-12-2023	12-12-2023	% change
EUR/USD (1 EUR / USD)	1.0765	1.0794	0.3
GBP/USD (1 GBP / USD)	1.2555	1.2563	0.1
USD/JPY (JPY / 1 USD)	146.16	145.45	0.5
USD/INR (INR / 1 USD)	83.39	83.39	0
USD/CNY (CNY / 1 USD)	7.1741	7.1772	0

Source: Bloomberg, Bank of Baroda Research



- Global yields broadly closed lower. UK's 10Y yield fell at the sharpest pace tracking average weekly earnings data, which showed moderation. US 10Y yield fell by only 3bps as most of the decline was pared by higher than expected CPI reading for Nov'23. India's 10Y fell a tad by 1bps. It is trading at 7.26% today.

Fig 3 – Bond 10Y yield

	11-12-2023	12-12-2023	change in bps
US	4.23	4.20	(3)
UK	4.08	3.97	(11)
Germany	2.27	2.23	(4)
Japan	0.77	0.72	(4)
China	2.66	2.66	0
India	7.28	7.27	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	11-12-2023	12-12-2023	change in bps
Tbill-91 days	6.95	6.98	3
Tbill-182 days	7.15	7.15	-
Tbill-364 days	7.15	7.16	1
G-Sec 2Y	7.22	7.21	(1)
India OIS-2M	6.86	6.86	0
India OIS-9M	6.87	6.87	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	11-12-2023	12-12-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.5	0.3	(0.2)
Reverse repo	0.2	0.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	8-12-2023	11-12-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	618.1	143.6	(474.5)
Debt	139.0	39.1	(100.0)
Equity	479.1	104.6	(374.5)
Mutual funds (Rs cr)	2,907.5	1,824.5	(1,083.0)
Debt	1,654.9	1,251.4	(403.6)
Equity	1,252.6	573.2	(679.4)

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 7 Dec and 8 Dec 2023

- Oil prices fell amidst oversupply concerns after EIA projected higher US output.

Fig 7 – Commodities

	11-12-2023	12-12-2023	% change
Brent crude (US\$/bbl)	76.0	73.2	(3.7)
Gold (US\$/ Troy Ounce)	1,982.0	1,979.5	(0.1)
Copper (US\$/ MT)	8,249.1	8,259.8	0.1
Zinc (US\$/MT)	2,396.3	2,425.0	1.2
Aluminium (US\$/MT)	2,117.0	2,121.0	0.2

Source: Bloomberg, Bank of Baroda Research



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