

## MORNING MOCHA

14 September 2023

ECONOMIST  
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Investors tracked US CPI which reflected prices have heated up at the fastest pace in over 14-months (3.7% in Aug'23). This was led by higher prices of gas and shelter. On the other hand, core inflation slowed down to 4.3% in Aug'23 (4.7% in Jul'23). Investor now anticipate Fed to stand pat in the next week meet while there is likelihood of rate hike in the Nov'23 meet. As per the monthly GDP report, UK's economy contracted by (-) 0.5% in Jul'23 against an expectation of (-) 0.2% versus 0.5% growth in Jun'23. This was largely on account of strikes by workers and teachers along with unusually wet weather conditions weighing in on certain sectors. Separately, Australia's unemployment rate remained steady at 3.7% in Aug'23.

- Global indices ended mixed. Investors monitored slightly hotter-than-expected inflation print from US (0.6% from 0.2% in Jul'23 on MoM basis). Given this, investor will now turn their focus towards Fed's policy. Sensex closed in green on hopes of a Fed pause. It was further supported by gains in consumer durable and oil & gas stocks. It is trading higher today, in line with other Asian stocks.

**Fig 1 – Stock markets**

	12-09-2023	13-09-2023	% change
Dow Jones	34,646	34,576	(0.2)
S & P 500	4,462	4,467	0.1
FTSE	7,528	7,526	0
Nikkei	32,776	32,707	(0.2)
Hang Seng	18,026	18,009	(0.1)
Shanghai Comp	3,137	3,123	(0.4)
Sensex	67,221	67,467	0.4
Nifty	19,993	20,070	0.4

Source: Bloomberg, Bank of Baroda Research

- Amongst global currencies, JPY (-0.3%) and EUR (-0.2%) fell most against the dollar, while CNY gained. DXY rose by 0.1%, as slightly higher than expected US CPI and inch up in energy prices continues to drive uncertainty around Fed's Nov policy decision. INR fell by 0.1%. However, it is trading higher today, while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	12-09-2023	13-09-2023	% change
EUR/USD (1 EUR / USD)	1.0754	1.0730	(0.2)
GBP/USD (1 GBP / USD)	1.2490	1.2490	0
USD/JPY (JPY / 1 USD)	147.08	147.46	(0.3)
USD/INR (INR / 1 USD)	82.92	82.99	(0.1)
USD/CNY (CNY / 1 USD)	7.2923	7.2717	0.3

Source: Bloomberg, Bank of Baroda Research

- Global yields closed mixed. While 10Y yield in Germany inched up, it fell the most in UK and US. More than expected slowdown in Britain's economy (GDP)



pushed the yields down. In the US, higher energy prices (CPI) is being viewed with caution. India's 10Y yield was down by 2bps, as oil prices declined. It is trading even lower today at 7.16%, supported by domestic CPI.

**Fig 3 – Bond 10Y yield**

	12-09-2023	13-09-2023	change in bps
US	4.28	4.25	(3)
UK	4.42	4.35	(7)
Germany	2.64	2.65	1
Japan	0.71	0.71	0
China	2.66	2.65	(1)
India	7.23	7.20	(3)

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	12-09-2023	13-09-2023	change in bps
Tbill-91 days	6.85	6.84	(1)
Tbill-182 days	7.03	7.03	0
Tbill-364 days	7.00	7.05	5
G-Sec 2Y	7.12	7.13	1
India OIS-2M	6.81	6.82	1
India OIS-9M	7.03	7.03	0
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.30	5.30	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	12-09-2023	13-09-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.3)	(0.2)	0.1
Reverse repo	0.2	0.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	11-09-2023	12-09-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	98.9	31.1	(67.8)
Debt	(78.1)	70.9	149.0
Equity	177.0	(39.9)	(216.8)
Mutual funds (Rs cr)	60.9	410.1	349.3
Debt	(900.6)	(31.0)	869.6
Equity	961.4	441.1	(520.3)

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 22<sup>nd</sup> and 23<sup>rd</sup> Aug

- Oil prices fell by 0.2%, as slight uptick in US CPI continues to leave the door open for one more Fed rate hike in CY23.

**Fig 7 – Commodities**

	12-09-2023	13-09-2023	% change
Brent crude (US\$/bbl)	92.1	91.9	(0.2)
Gold (US\$/ Troy Ounce)	1,913.7	1,908.1	(0.3)
Copper (US\$/ MT)	8,367.5	8,397.5	0.4
Zinc (US\$/MT)	2,450.0	2,497.2	1.9
Aluminium (US\$/MT)	2,196.5	2,217.5	1.0

Source: Bloomberg, Bank of Baroda Research



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