

## MORNING MOCHA

15 November 2023

ECONOMIST

Dipanwita Mazumdar

Softening CPI print in the US (flat sequential increase against 0.4% increase in Sep'23) provided some degree of comfort to markets. Even CPI excl. food and energy also moderated to 0.2% from 0.3%. On YoY basis, CPI and core came in at 3.2 and 4% respectively. This has raised bets for Fed fund rate to be on the same level as of now in the next meeting (94.5% probability against 85.5% a day before). Separately, in China, major high frequency macro indicators showed some momentum. Industrial production rose by 4.6% against expectation of 4.5% in Oct'23, on YoY basis. Retail sales rose by 7.6% (est.: 7%). In Japan, sharp contraction is visible in Q3 provisional GDP estimate as private consumption demand flat lined. On domestic front, WPI remained in deflation territory for 7<sup>th</sup> consecutive month.

- Barring Hang Seng, other global indices closed higher. Major rally in US and Europe was supported by cooler than expected US CPI print for Oct'23. With this, it is widely anticipated that Fed's rate hiking cycle has come to an end. Markets in India were closed for Diwali. Today, Sensex has opened higher in line with other Asian markets. Better than expected China's macro data (retail sales, industrial production) has also boosted investor sentiments.

**Fig 1 – Stock markets**

	13-11-2023	14-11-2023	% change
Dow Jones	34,338	34,828	1.4
S & P 500	4,412	4,496	1.9
FTSE	7,426	7,440	0.2
Nikkei	32,585	32,696	0.3
Hang Seng	17,426	17,397	(0.2)
Shanghai Comp	3,047	3,056	0.3
Sensex	64,905	64,934	0
Nifty	19,425	19,444	0.1

Source: Bloomberg, Bank of Baroda Research, Indian markets were closed on 14 Nov

- Except INR (closed), other global currencies ended higher. DXY fell by 1.5%, driven by sharp drop in US sovereign yields, as inflation softened more than estimated. Further, supported by improvement in risk sentiment, Asian currencies, including INR, are trading higher today.

**Fig 2 – Currencies**

	13-11-2023	14-11-2023	% change
EUR/USD (1 EUR / USD)	1.0698	1.0879	1.7
GBP/USD (1 GBP / USD)	1.2279	1.2499	1.8
USD/JPY (JPY / 1 USD)	151.72	150.37	0.9
USD/INR (INR / 1 USD)	83.34	83.33	0
USD/CNY (CNY / 1 USD)	7.2891	7.2528	0.5

Source: Bloomberg, Bank of Baroda Research, Indian markets were closed on 14 Nov



- Global yields closed lower. Moderation in CPI print in the US raised bets that Fed is done with the rate hike cycle. US 10Y yield fell at the sharpest pace followed by UK and Germany. Even a comforting Zew sentiment data in Germany could not arrest the fall in its yield. India's 10Y yield fell by 2bps. It is trading flat today.

**Fig 3 – Bond 10Y yield**

	13-11-2023	14-11-2023	change in bps
US	4.64	4.45	(19)
UK	4.31	4.15	(16)
Germany	2.71	2.60	(11)
Japan	0.87	0.86	(1)
China	2.65	2.66	2
India	7.30	7.28	(2)

Source: Bloomberg, Bank of Baroda Research, Indian markets were closed on 14 Nov

**Fig 4 – Short term rates**

	13-11-2023	14-11-2023	change in bps
Tbill-91 days	6.92	6.92	0
Tbill-182 days	7.06	7.05	(1)
Tbill-364 days	7.14	7.14	0
G-Sec 2Y	7.23	7.26	3
India OIS-2M	6.84	6.84	0
India OIS-9M	6.87	6.88	1
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	10-11-2023	13-11-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.4	0.5	0.1
Reverse repo	0.2	0.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	9-11-2023	10-11-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(73.4)	1,017.7	1,091.1
Debt	102.2	378.5	276.3
Equity	(175.6)	639.2	814.8
Mutual funds (Rs cr)	2,181.8	599.4	(1,582.3)
Debt	1,667.7	106.7	(1,561.0)
Equity	514.1	492.8	(21.3)

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 8 and 9 Nov 2023

- Oil prices were broadly stable, as investors weigh supply side concerns.

**Fig 7 – Commodities**

	13-11-2023	14-11-2023	% change
Brent crude (US\$/bbl)	82.5	82.5	(0.1)
Gold (US\$/ Troy Ounce)	1,946.9	1,964.3	0.9
Copper (US\$/ MT)	8,081.3	8,144.0	0.8
Zinc (US\$/MT)	2,540.0	2,591.0	2.0
Aluminium (US\$/MT)	2,223.5	2,231.0	0.3

Source: Bloomberg, Bank of Baroda Research



## Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at



For further details about this publication, please contact:

**Chief Economist**

Bank of Baroda

[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)