

## MORNING MOCHA

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ECONOMIST

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China's economy signalled early signs of recovery on the back of better than expected data led by improvement in retail sales (4.6% from 2.5% in Jul'23) and industrial output (4.5% from 3.7% in Jul'23). However, fixed investment moderated marginally. Additionally, US retail sales also climbed higher than anticipated (0.6% vs est 0.1%). Separately, ECB's raised rates by 25bps to a record high to 4% and signalled the end of rate tightening cycle. It has also trimmed growth forecasts for the next 3-years down to 0.7% in CY23 and 1% in CY24. On the other hand, it raised its inflation projection to 5.6% (CY23) and 3.2% (CY24). Furthermore, China's PBoC in order to boost liquidity and aid in economic recovery, has reduced the reserve requirement ratio (RRR) by 25bps for the 2<sup>nd</sup> time in a row down to 7.4%.

- Global indices ended higher as investors' monitor strong macroeconomic data from across the globe. Supported by better than expected data (higher retail sales and marginal increase in weekly jobless claims) US indices climbed higher. Sensex closed higher led by strong global cues. Real estate and oil & gas stocks advance the most. It is trading higher today, in line with Asian stocks.

**Fig 1 – Stock markets**

	13-09-2023	14-09-2023	% change
Dow Jones	34,576	34,907	1.0
S & P 500	4,467	4,505	0.8
FTSE	7,526	7,673	2.0
Nikkei	32,707	33,168	1.4
Hang Seng	18,009	18,048	0.2
Shanghai Comp	3,123	3,127	0.1
Sensex	67,467	67,519	0.1
Nifty	20,070	20,103	0.2

Source: Bloomberg, Bank of Baroda Research

- Barring JPY (flat), other global currencies fell against the dollar. DXY rose by 0.6% to reach highest level since early Mar'23, as steady economic momentum revived fears of elevated rates for long in the US. INR fell by 0.1%, as oil prices continue to inch up. INR remains under pressure, while other Asian currencies are higher, supported by China's RRR cut announcement.

**Fig 2 – Currencies**

	13-09-2023	14-09-2023	% change
EUR/USD (1 EUR / USD)	1.0730	1.0643	(0.8)
GBP/USD (1 GBP / USD)	1.2490	1.2409	(0.6)
USD/JPY (JPY / 1 USD)	147.46	147.47	0
USD/INR (INR / 1 USD)	82.99	83.04	(0.1)
USD/CNY (CNY / 1 USD)	7.2717	7.2789	(0.1)

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. While 10Y yield in US inched up again, it fell in UK and Germany. Better than expected data from the US has revived fears of rate hike by Fed. ECB President hinted that Sep'23 rate hike might be the final one in this cycle. India's 10Y yield fell by 7bps, on hopes of sovereign bond being included in EM bond index. However it is trading a tad higher at 7.14% today.

**Fig 3 – Bond 10Y yield**

	13-09-2023	14-09-2023	change in bps
US	4.25	4.29	4
UK	4.35	4.28	(7)
Germany	2.65	2.59	(6)
Japan	0.71	0.72	0
China	2.65	2.63	(1)
India	7.20	7.13	(7)

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	13-09-2023	14-09-2023	change in bps
Tbill-91 days	6.84	6.82	(2)
Tbill-182 days	7.03	7.02	(1)
Tbill-364 days	7.05	7.05	0
G-Sec 2Y	7.13	7.13	0
India OIS-2M	6.82	6.82	0
India OIS-9M	7.03	6.99	(4)
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	13-09-2023	14-09-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.2)	0	0.2
Reverse repo	0.2	0.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	12-09-2023	13-09-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	31.1	(160.5)	(191.6)
Debt	70.9	115.9	45.0
Equity	(39.9)	(276.4)	(236.6)
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 rose by 2%, buoyed by tightening supplies (deficit in Q4 predicted).

**Fig 7 – Commodities**

	13-09-2023	14-09-2023	% change
Brent crude (US\$/bbl)	91.9	93.7	2.0
Gold (US\$/ Troy Ounce)	1,908.1	1,910.8	0.1
Copper (US\$/ MT)	8,397.5	8,372.3	(0.3)
Zinc (US\$/MT)	2,497.2	2,542.0	1.8
Aluminium (US\$/MT)	2,217.5	2,224.5	0.3

Source: Bloomberg, Bank of Baroda Research



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