

MORNING MOCHA

16 November 2023

ECONOMIST
Dipanwita Mazumdar

US economy continued to show some softening. Following moderation in CPI data, advance retail sales also fell by 0.1% on MoM basis from 0.7% increase seen in Sep'23. PPI declined by 0.5% against 0.5% increase in Sep'23. Core PPI remained flat. Thus all indicators are pointed towards the fact that Fed rate hike cycle has already peaked. Even in UK, inflation dropped to its lowest level in 2 years, retail price index also moderated. House price index of the region fell by 0.1% in Sep'23 against 0.8% increase in Aug'23. In China as well, new home prices fell by 0.4% on MoM basis. In Japan, exports growth have moderated to 1.6% from 4.3%, while imports fell at a softer pace by 12.5% from 16.3% decline in Sep'23. On domestic front, exports edged up by 6.2%, led by non-oil exports. Imports also have risen sharply by 12.3%.

- Global indices closed higher, with Hang Seng and Nikkei registering maximum gains. Signs of slowdown in US economy (PPI at 2 year low) increased speculations around possibility of Fed rate cuts next year. Sensex too ended in green, led by realty, tech and auto stocks. However, it is trading lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	14-11-2023	15-11-2023	% change
Dow Jones	34,828	34,991	0.5
S & P 500	4,496	4,503	0.2
FTSE	7,440	7,487	0.6
Nikkei	32,696	33,520	2.5
Hang Seng	17,397	18,079	3.9
Shanghai Comp	3,056	3,073	0.5
Sensex	64,934	65,676	1.1
Nifty	19,444	19,675	1.2

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

- Except INR and CNY (higher), other global currencies ended lower. DXY rose by 0.3% following mixed macro data points from the US (decline in PPI, increase in mortgage applications). GBP fell, despite UK CPI slowing to 2-year low in Oct'23. INR was up by 0.2%, owing to continued drop in oil prices. However, it is trading lower today, in line with other Asian currencies.

Fig 2 – Currencies

	14-11-2023	15-11-2023	% change
EUR/USD (1 EUR / USD)	1.0879	1.0848	(0.3)
GBP/USD (1 GBP / USD)	1.2499	1.2416	(0.7)
USD/JPY (JPY / 1 USD)	150.37	151.36	(0.7)
USD/INR (INR / 1 USD)	83.33	83.15	0.2
USD/CNY (CNY / 1 USD)	7.2528	7.2468	0.1

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



- Global yields closed mixed as investors are looking for direction amidst host of macro data releases. Despite softening of major macro data points, US 10Y yield rose by 8bps due to some correction in last session's steep fall. Similar thing was noticed for UK and Germany's 10Y yield. India's 10Y yield fell by 6bps, tracking US CPI data. It is trading flat today.

Fig 3 – Bond 10Y yield

	14-11-2023	15-11-2023	change in bps
US	4.45	4.53	8
UK	4.15	4.23	8
Germany	2.60	2.64	4
Japan	0.86	0.80	(6)
China	2.66	2.67	0
India	7.28	7.22	(6)

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

Fig 4 – Short term rates

	14-11-2023	15-11-2023	change in bps
Tbill-91 days	6.92	6.93	1
Tbill-182 days	7.05	7.07	2
Tbill-364 days	7.14	7.12	(2)
G-Sec 2Y	7.26	7.20	(6)
India OIS-2M	6.84	6.82	(2)
India OIS-9M	6.88	6.84	(4)
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	13-11-2023	15-11-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.5	0.4	(0.1)
Reverse repo	0.2	0.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	10-11-2023	13-11-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	1,017.7	(61.9)	(1,079.6)
Debt	378.5	50.7	(327.8)
Equity	639.2	(112.6)	(751.8)
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 fell, due to more than expected increase in US crude inventories.

Fig 7 – Commodities

	14-11-2023	15-11-2023	% change
Brent crude (US\$/bbl)	82.5	81.2	(1.6)
Gold (US\$/ Troy Ounce)	1,964.3	1,959.9	(0.2)
Copper (US\$/ MT)	8,144.0	8,172.3	0.3
Zinc (US\$/MT)	2,591.0	2,648.0	2.2
Aluminium (US\$/MT)	2,231.0	2,232.5	0.1

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