

## MORNING MOCHA

16 October 2023

ECONOMIST  
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US consumer sentiment index as measured by the University of Michigan moderated significantly to 63 in Oct'23 (est. 67.2) versus 68.1 in Sep'23. Consumers' inflation for both 1-year and 5-year edged up to 3.8% (from 3.2%) and 3% (from 2.8%) respectively. Philadelphia Fed President batted for holding rates at current levels. Separately, ECB Chief highlighted that the central bank remains ready to keep rates at a fairly restrictive levels for as long as necessary. Focus this week remains on escalating tensions between Israel and Hamas and its potential spill over to other markets. Apart from this focus also remains on Fed Chairman's speech at an event later in the week as well as corporate earnings results.

- Global stocks broadly closed lower. Markets remained jittery tracking a multitude of events such as escalated tensions in the Middle East and reports of tightened curbs by US on China's access to advanced chip technology. Hang Seng fell sharply by 2.3%, followed by Shanghai Comp and FTSE (0.6% drop each). Sensex fell by 0.2% amidst fall in banking stocks. It is trading further lower today, in line with other Asian markets.

**Fig 1 – Stock markets**

	12-10-2023	13-10-2023	% change
Dow Jones	33,631	33,670	0.1
S & P 500	4,350	4,328	(0.5)
FTSE	7,645	7,600	(0.6)
Nikkei	32,495	32,316	(0.5)
Hang Seng	18,238	17,813	(2.3)
Shanghai Comp	3,108	3,088	(0.6)
Sensex	66,408	66,283	(0.2)
Nifty	19,794	19,751	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY edged up marginally amidst safe-haven demand and higher than expected inflation data. However, deterioration in consumer sentiment capped its upside. EUR and GBP depreciated. INR depreciated a tad, as oil prices surged. However it is trading stronger today, in line with other Asian currencies.

**Fig 2 – Currencies**

	12-10-2023	13-10-2023	% change
EUR/USD (1 EUR / USD)	1.0528	1.0510	(0.2)
GBP/USD (1 GBP / USD)	1.2175	1.2143	(0.3)
USD/JPY (JPY / 1 USD)	149.81	149.57	0.2
USD/INR (INR / 1 USD)	83.25	83.26	0
USD/CNY (CNY / 1 USD)	7.3060	7.3050	0

Source: Bloomberg, Bank of Baroda Research



- Except Japan (stable) and India (higher), global yields closed lower. Market appetite for sovereign securities increased as a result of risk-off sentiment. US 10Y yield fell the most by 8bps tracking comments from Philadelphia Fed President. India's 10Y yield rose by 2bps tracking higher than expected cut off prices at the auction. It is trading at 7.33% today.

**Fig 3 – Bond 10Y yield**

	12-10-2023	13-10-2023	change in bps
US	4.70	4.61	(8)
UK	4.42	4.39	(4)
Germany	2.79	2.74	(5)
Japan	0.76	0.76	0
China	2.70	2.68	(2)
India	7.30	7.32	2

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	12-10-2023	13-10-2023	change in bps
Tbill-91 days	6.87	6.87	0
Tbill-182 days	7.09	7.00	(9)
Tbill-364 days	7.12	7.11	(1)
G-Sec 2Y	7.23	7.24	1
India OIS-2M	6.82	6.81	(1)
India OIS-9M	6.95	6.93	(2)
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.31	5.31	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	12-10-2023	13-10-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.3	0.2	(0.1)
Reverse repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	11-10-2023	12-10-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(19.1)	(105.6)	(86.5)
Debt	2.3	104.4	102.1
Equity	(21.4)	(210.0)	(188.6)
Mutual funds (Rs cr)	1,644.7	1,486.3	(158.4)
Debt	(750.3)	274.7	1,025.0
Equity	2,395.0	1,211.6	(1,183.4)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual fund data as of 9 Oct 2023 and 11 Oct 2023

- Oil prices rose sharply led by tightening US sanctions on Russian exports.

**Fig 7 – Commodities**

	12-10-2023	13-10-2023	% change
Brent crude (US\$/bbl)	86.0	90.9	5.7
Gold (US\$/ Troy Ounce)	1,868.9	1,932.8	3.4
Copper (US\$/ MT)	7,915.8	7,875.8	(0.5)
Zinc (US\$/MT)	2,425.0	2,422.8	(0.1)
Aluminium (US\$/MT)	2,200.0	2,199.5	0

Source: Bloomberg, Bank of Baroda Research



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