

## MORNING MOCHA

18 October 2023

ECONOMIST

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Investors monitored macro data even as tensions in Middle-East continued to simmer. Retail sales and industrial production in the US surprised to the upside, attesting to the economy's strength. This also supports the narrative of higher for longer US rates. Providing a glimmer of hope to the battered European economy, Zew's economic sentiment index for Germany improved in Oct'23. Separately, while China's growth slowed down to 4.9% in Q3CY23 versus 6.3% in Q2, it was still higher than estimates of a 4.4% increase. This suggests that government stimulus measures may have aided growth. Other indicators, such as industrial production (4.5% in Sep'23 vs. est. 4.3%) and retail sales (5.5% vs. est. 4.9%) also beat market expectations. On the other hand, fixed asset investment was a tad lower at 3.1% in Jan-Sep'23 versus an estimated 3.2% increase.

- Except US (stable), global stocks closed higher. Investor's sentiments improved tracking better data prints in US and Germany. Nikkei rose the most, followed by Hang Seng. Gains in Shanghai Comp were pared following debt crisis in the property sector of the region. Sensex rose by 0.4%, led by power and banking stocks. It is trading lower today, in line with other Asian markets.

**Fig 1 – Stock markets**

	16-10-2023	17-10-2023	% change
Dow Jones	33,985	33,998	0
S & P 500	4,374	4,373	0
FTSE	7,631	7,675	0.6
Nikkei	31,659	32,040	1.2
Hang Seng	17,640	17,773	0.8
Shanghai Comp	3,074	3,083	0.3
Sensex	66,167	66,428	0.4
Nifty	19,732	19,812	0.4

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY rose a tad after better than expected macro data. EUR appreciated by 0.2% as Germany's Zew economic sentiment index showed improvement in Oct'23. INR recovered from its record low supported by central bank intervention. It is trading further stronger today, in line with other Asian currencies.

**Fig 2 – Currencies**

	16-10-2023	17-10-2023	% change
EUR/USD (1 EUR / USD)	1.0560	1.0577	0.2
GBP/USD (1 GBP / USD)	1.2217	1.2183	(0.3)
USD/JPY (JPY / 1 USD)	149.51	149.81	(0.2)
USD/INR (INR / 1 USD)	83.28	83.26	0
USD/CNY (CNY / 1 USD)	7.3110	7.3157	(0.1)

Source: Bloomberg, Bank of Baroda Research



- Except India (stable), global yields closed higher. Risk appetite continued to improve amidst expectation of some diplomacy cues in the Middle East crisis. US 10Y yield firmed up by 13bps tracking better macro prints. Even Germany's 10Y yield rose by 10bps amidst comments from ECB's official stating that inflation is still not out of the woods. India's 10Y yield is trading at 7.35% today.

**Fig 3 – Bond 10Y yield**

	16-10-2023	17-10-2023	change in bps
US	4.71	4.83	13
UK	4.48	4.51	3
Germany	2.79	2.88	10
Japan	0.76	0.78	2
China	2.68	2.69	1
India	7.33	7.33	0

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	16-10-2023	17-10-2023	change in bps
Tbill-91 days	6.87	6.88	1
Tbill-182 days	7.04	7.05	1
Tbill-364 days	7.12	7.12	0
G-Sec 2Y	7.29	7.28	(1)
India OIS-2M	6.82	6.80	(2)
India OIS-9M	6.94	6.94	0
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	16-10-2023	17-10-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.1	0	(0.1)
Reverse repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	13-10-2023	16-10-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	133.2	14.3	(118.9)
Debt	87.4	61.4	(25.9)
Equity	45.8	(47.2)	(93.0)
Mutual funds (Rs cr)	2,048.9	1,100.2	(948.6)
Debt	383.2	1,516.9	1,133.6
Equity	1,665.6	(416.6)	(2,082.3)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual fund data as of 12 Oct 2023 and 13 Oct 2023

- Oil prices rose following higher than expected drawdown in US inventories.

**Fig 7 – Commodities**

	16-10-2023	17-10-2023	% change
Brent crude (US\$/bbl)	89.7	89.9	0.3
Gold (US\$/ Troy Ounce)	1,920.2	1,923.2	0.2
Copper (US\$/ MT)	7,915.5	7,902.8	(0.2)
Zinc (US\$/MT)	2,423.5	2,400.3	(1.0)
Aluminium (US\$/MT)	2,180.5	2,177.0	(0.2)

Source: Bloomberg, Bank of Baroda Research



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