

MORNING MOCHA

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ECONOMIST
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Amidst the ongoing uncertainty in the global markets, BoJ continued with the ultra-loose monetary policy as the members unanimously agreed to keep the rates at - 0.1% mark and also continued with the yield curve policy. Separately, RBA in its minutes noted that the members had even considered hiking rates due to expectations that inflation will remain above the 2% threshold for longer period. However, the decision to eventually stick to pause was based on weaker consumption demand and limiting data. In the coming week, markets will track final US GDP print for Q3CY23 and a report on PCE given the recent comments by Fed.

- Global indices ended mixed. Investors closely monitored Fed's commentary with officials stating that there has been no guidance in terms of timings for rate cuts. S&P 500 and FTSE advanced by 0.5% each. On the other hand, Hang Seng dropped the most followed by losses in Nikkei. Sensex too ended in red and was dragged down by real estate and banking stocks. However, it is trading lower today, while other Asian markets are trading mixed.

Fig 1 – Stock markets

	15-12-2023	18-12-2023	% change
Dow Jones	37,305	37,306	0
S & P 500	4,719	4,741	0.5
FTSE	7,576	7,614	0.5
Nikkei	32,971	32,759	(0.6)
Hang Seng	16,792	16,629	(1.0)
Shanghai Comp	2,943	2,931	(0.4)
Sensex	71,484	71,315	(0.2)
Nifty	21,457	21,419	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Barring EUR, other global currencies ended lower against the dollar. DXY ended flat, as investors attempt to gauge timing of Fed rate cuts. JPY and GBP (awaiting UK inflation report) remained under pressure. Yen has weakened further today after BoJ's policy decision. INR fell by 0.1% as oil prices rose. It is trading even lower today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	15-12-2023	18-12-2023	% change
EUR/USD (1 EUR / USD)	1.0895	1.0924	0.3
GBP/USD (1 GBP / USD)	1.2681	1.2648	(0.3)
USD/JPY (JPY / 1 USD)	142.15	142.78	(0.4)
USD/INR (INR / 1 USD)	83.00	83.06	(0.1)
USD/CNY (CNY / 1 USD)	7.1215	7.1311	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Except yields in Asia, other global yields inched up. 10Y yield in Germany rose the most, as ECB officials hinted that talks of rate cuts are still "premature", thus



watering down hopes of a rate cut by Mar'24. Investors are also re-assessing timing of Fed rate cut following statements made by some Fed officials. India's 10Y yield ended flat, and even today it is trading broadly unchanged (7.17%).

Fig 3 – Bond 10Y yield

	15-12-2023	18-12-2023	change in bps
US	3.91	3.93	2
UK	3.69	3.70	1
Germany	2.02	2.08	6
Japan	0.70	0.68	(2)
China	2.64	2.63	(1)
India	7.16	7.16	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	15-12-2023	18-12-2023	change in bps
Tbill-91 days	6.93	6.92	(1)
Tbill-182 days	7.10	7.12	2
Tbill-364 days	7.08	7.07	(1)
G-Sec 2Y	7.07	7.06	(1)
India OIS-2M	6.74	6.76	1
India OIS-9M	6.64	6.64	0
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.31	5.32	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	15-12-2023	18-12-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.6	2.0	1.4
Reverse repo	0	0	0
Repo	0	1.0	1.0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	14-12-2023	15-12-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	602.1	1,542.3	940.2
Debt	185.3	311.6	126.3
Equity	416.8	1,230.7	814.0
Mutual funds (Rs cr)	2,070.8	(2,605.1)	(4,675.9)
Debt	886.8	(1,523.7)	(2,410.4)
Equity	1,184.0	(1,081.4)	(2,265.4)

Source: Bloomberg, Bank of Baroda Research

- Oil prices rose as major shipping firms announced to avoid the Red Sea route in the wake of pirate attacks. This could in turn lead to supply side pressures.

Fig 7 – Commodities

	15-12-2023	18-12-2023	% change
Brent crude (US\$/bbl)	76.6	78.0	1.8
Gold (US\$/ Troy Ounce)	2,019.6	2,027.2	0.4
Copper (US\$/ MT)	8,454.7	8,393.8	(0.7)
Zinc (US\$/MT)	2,536.3	2,550.0	0.5
Aluminium (US\$/MT)	2,247.5	2,283.0	1.6

Source: Bloomberg, Bank of Baroda Research



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