

MORNING MOCHA

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ECONOMIST
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Markets remained cautious monitoring slew of macro releases and ahead of major central banks' policy decisions. In the US, consumer confidence dropped to its 5 month low in Oct'23 dampened by uncertainties over ongoing geopolitical tensions worldwide and surrounding tightening financial conditions. Apart from the Fed policy decision, market is also awaiting US government's new borrowing plan. Elsewhere in the Eurozone, the Q3 advance estimate of GDP showed contraction by 0.1%, lower than expected. In UK, the BRC shop price index showed moderation, providing comfort on inflationary front. Manufacturing PMI of both Japan (48.7 in Oct'23) and China (49.5), disappointed, remaining below the 50-expansionary mark, signalling weaker underlying demand conditions. On domestic front, core sector output growth fell to its 4-month low, fiscal deficit is at 39.3% of FY24BE.

- Global markets ended mixed. Stocks in US ended higher as investors await Fed's policy decision. Barring Nikkei, stocks in Asia were lower amidst a decline in manufacturing and service PMI in China. Hang Seng fell the most by 1.7%. Sensex too declined by 0.4%. Auto and banking stocks fell the most. It is trading further lower today, while other Asian markets are trading mixed.

Fig 1 – Stock markets

	30-10-2023	31-10-2023	% change
Dow Jones	32,929	33,053	0.4
S & P 500	4,167	4,194	0.6
FTSE	7,327	7,322	(0.1)
Nikkei	30,697	30,859	0.5
Hang Seng	17,406	17,112	(1.7)
Shanghai Comp	3,022	3,019	(0.1)
Sensex	64,113	63,875	(0.4)
Nifty	19,141	19,080	(0.3)

Source: Bloomberg, Bank of Baroda Research

- Except INR (flat), other global currencies ended weaker. DXY rose by 0.5% despite moderation in US conference board consumer confidence index. JPY fell by 1.7% as BoJ's tweak to YCC was considered insufficient by markets. EUR fell by 0.4% as Eurozone's Q3 GDP growth was weaker than expected. INR is trading stable today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	30-10-2023	31-10-2023	% change
EUR/USD (1 EUR / USD)	1.0615	1.0575	(0.4)
GBP/USD (1 GBP / USD)	1.2170	1.2153	(0.1)
USD/JPY (JPY / 1 USD)	149.10	151.68	(1.7)
USD/INR (INR / 1 USD)	83.25	83.26	(0.0)
USD/CNY (CNY / 1 USD)	7.3110	7.3164	(0.1)

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. US 10Y yield rose by 4bps ahead of Fed meeting and borrowing plan for Oct-Dec quarter. UK's 10Y yield fell by 5bps as BRC shop price data showed some respite on inflation. Notably, Japan's 10Y yield rose by 5bps towards the 1% mark after the slight tweak by BoJ. India's 10Y yield fell by 2bps. It is trading at 7.35% today.

Fig 3 – Bond 10Y yield

	30-10-2023	31-10-2023	change in bps
US	4.89	4.93	4
UK	4.56	4.51	(5)
Germany	2.82	2.81	(2)
Japan	0.89	0.95	5
China	2.72	2.69	(2)
India	7.37	7.36	(2)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	30-10-2023	31-10-2023	change in bps
Tbill-91 days	6.89	6.89	-
Tbill-182 days	7.05	7.06	1
Tbill-364 days	7.15	7.16	1
G-Sec 2Y	7.32	7.29	(2)
India OIS-2M	6.80	6.80	(0)
India OIS-9M	6.93	6.93	-
SONIA int rate benchmark	5.19	5.19	-
US SOFR	5.31	5.31	-

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	30-10-2023	31-10-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.4	1.1	(0.3)
Reverse repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	27-10-2023	30-10-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(271.3)	(195.9)	75.5
Debt	28.2	8.0	(20.3)
Equity	(299.6)	(203.8)	95.7
Mutual funds (Rs cr)	(1,406.4)	(1,448.9)	(42.5)
Debt	(1,754.9)	(2,405.3)	(650.5)
Equity	348.4	956.4	608.0

Source: Bloomberg, Bank of Baroda Research | Note: Mutual fund data as of 17 Oct 2023 and 18 Oct 2023

- Oil prices fell a tad amidst higher production in US.

Fig 7 – Commodities

	30-10-2023	31-10-2023	% change
Brent crude (US\$/bbl)	87.5	87.4	(0.0)
Gold (US\$/ Troy Ounce)	1,996.1	1,983.9	(0.6)
Copper (US\$/ MT)	8,068.8	8,029.0	(0.5)
Zinc (US\$/MT)	2,454.3	2,418.2	(1.5)
Aluminium (US\$/MT)	2,266.5	2,251.5	(0.7)

Source: Bloomberg, Bank of Baroda Research



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