

MORNING MOCHA

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ECONOMIST
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Investors across the globe brace for the likelihood of the US interest rates peaking. It was stated by Fed official Mary Daly that Fed needs to be 'patient and resolute' and 'additional firming is not off the table'. Another Fed official, Austan Goolsbee added that he remains confident of the Fed meeting its inflation target as he expects easing of housing price pressure. A lot more clarity on economic and interest rate projections will be seen in the next policy meet. Separately, both building permits and housing starts data rose more than expected on a MoM basis to 1.1% and 1.9% respectively in Oct'23. On the other hand, homebuilder confidence dropped in Nov'23, though early signs of mortgage rate lowering may improve its outlook. In UK, retail sales weakened and slid by 0.3% in Oct'23 (MoM basis) far lower than expected and ex-petrol, the sales volume were down by 0.1%.

- Global stocks ended mixed. Investors monitored commentary by Fed officials and awaited clear guidance on interest rate expectation. European indices ended in green supported by easing of price pressure. India, Sensex ended in red led by losses in banking and oil & gas stocks. It is trading lower today, while other Asian stocks are trading higher.

Fig 1 – Stock markets

	16-11-2023	17-11-2023	% change
Dow Jones	34,945	34,947	0
S & P 500	4,508	4,514	0.1
FTSE	7,411	7,504	1.3
Nikkei	33,424	33,585	0.5
Hang Seng	17,833	17,454	(2.1)
Shanghai Comp	3,051	3,054	0.1
Sensex	65,982	65,795	(0.3)
Nifty	19,765	19,732	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Except INR (flat), other global currencies ended higher. DXY fell by 0.4% as US economy is showing signs of slowdown in Q4 and there are expectations of Fed rate cut next year. JPY gained the most, reflecting safe-haven demand. INR ended flat, even as oil prices rose by 4%. It is trading higher today, in line with other Asian currencies.

Fig 2 – Currencies

	16-11-2023	17-11-2023	% change
EUR/USD (1 EUR / USD)	1.0852	1.0915	0.6
GBP/USD (1 GBP / USD)	1.2414	1.2462	0.4
USD/JPY (JPY / 1 USD)	150.73	149.63	0.7
USD/INR (INR / 1 USD)	83.24	83.27	0
USD/CNY (CNY / 1 USD)	7.2427	7.2143	0.4

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. Investors are pausing to assess incoming macro data from the US (housing). Yield curve in the US remains inverted and near its trough level, as analysts fear risks of slowdown in Q4. In UK, yields fell as retail sales slumped. India's 10Y yield was down by 2bps to 7.22%, following global cues. However, it is trading tad higher today at 7.23%.

Fig 3 – Bond 10Y yield

	16-11-2023	17-11-2023	change in bps
US	4.44	4.44	0
UK	4.15	4.10	(5)
Germany	2.59	2.59	0
Japan	0.79	0.76	(4)
China	2.66	2.66	0
India	7.24	7.22	(2)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	16-11-2023	17-11-2023	change in bps
Tbill-91 days	6.92	6.91	(1)
Tbill-182 days	7.06	7.06	0
Tbill-364 days	7.09	7.10	1
G-Sec 2Y	7.20	7.19	(1)
India OIS-2M	6.83	6.84	1
India OIS-9M	6.85	6.85	0
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	16-11-2023	17-11-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.4	0.5	0.1
Reverse repo	0.2	0	(0.2)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	15-11-2023	16-11-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	312.2	354.9	42.8
Debt	128.9	195.7	66.8
Equity	183.3	159.2	(24.0)
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 inched up owing to revival in supply side concerns (sanctions on Iran).

Fig 7 – Commodities

	16-11-2023	17-11-2023	% change
Brent crude (US\$/bbl)	77.4	80.6	4.1
Gold (US\$/ Troy Ounce)	1,980.9	1,980.8	0
Copper (US\$/ MT)	8,122.0	8,168.2	0.6
Zinc (US\$/MT)	2,570.5	2,553.3	(0.7)
Aluminium (US\$/MT)	2,215.5	2,207.0	(0.4)

Source: Bloomberg, Bank of Baroda Research



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