

MORNING MOCHA

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US housing starts fell by 11.3% to 1.28mn units in Aug'23 (est. 1.45mn units), from 1.45mn units in Jul'23, as rising mortgage rates dented demand. In the Eurozone, CPI inflation was revised lower to 5.2% in Aug'23 versus 5.3% (flash estimate). Export growth in Japan declined for the second straight month in Aug'23, falling by 0.8%, versus a 0.3% decline in Jul'23, led by an 11% fall in exports to China. Signifying weak domestic demand, imports fell by 17.8% in Aug'23. Separately, minutes of RBA meeting revealed that more rate hikes cannot be ruled out. OECD revised global growth forecast upwards to 2.7% from 2.4% estimated earlier. India's growth forecast for FY24 was also revised up to 6.3% from 6%. Even RBI expressed confidence in India's growth trajectory despite concerns over inflation.

- Global indices ended mixed. US stocks edged lower as rising oil prices might put Fed in a quandary. Market is expecting a hawkish pause from the Fed. Amongst Asian stocks, Hang Seng saw modest gains amidst news of a property developer gaining approval to extend an onshore loan. Sensex fell by 0.4%, dragged down by real estate and technology stocks. It is trading further lower today, while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	18-09-2023	19-09-2023	% change
Dow Jones	34,624	34,518	(0.3)
S & P 500	4,454	4,444	(0.2)
FTSE	7,653	7,660	0.1
Nikkei	33,533	33,243	(0.9)
Hang Seng	17,931	17,997	0.4
Shanghai Comp	3,126	3,125	0
Sensex	67,839	67,597	(0.4)
Nifty	20,192	20,133	(0.3)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 19 Sep 2023

- Except GBP (higher), other global currencies ended weaker. Investors await policy decisions of major central banks such as Fed, BoE and BoJ. JPY depreciated the most as BoJ is expected to maintain its policy stance. INR depreciated to a fresh record-low in the last trading session, but is trading marginally stronger today. Asian currencies are trading mixed.

Fig 2 – Currencies

	18-09-2023	19-09-2023	% change
EUR/USD (1 EUR / USD)	1.0692	1.0679	(0.1)
GBP/USD (1 GBP / USD)	1.2383	1.2392	0.1
USD/JPY (JPY / 1 USD)	147.61	147.86	(0.2)
USD/INR (INR / 1 USD)	83.18	83.27	(0.1)
USD/CNY (CNY / 1 USD)	7.2912	7.2973	(0.1)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 19 Sep 2023



- Global yields closed mixed. US 10Y yield rose by 6bps as a hawkish pause is expected in the upcoming policy by Fed. UK's 10Y yield fell by 5bps awaiting CPI data. Japan and China's 10Y yield closed stable. In China unchanged policy rate will keep yields range bound. For Japan as well, ultra-loose monetary policy is expected to continue. India's 10Y yield is trading lower at 7.17% today.

Fig 3 – Bond 10Y yield

	18-09-2023	19-09-2023	change in bps
US	4.30	4.36	6
UK	4.39	4.34	(5)
Germany	2.71	2.74	3
Japan	0.72	0.72	0
China	2.67	2.68	0
India	7.20	7.19	(1)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 19 Sep 2023

Fig 4 – Short term rates

	18-09-2023	19-09-2023	change in bps
Tbill-91 days	6.82	6.85	3
Tbill-182 days	7.02	7.06	4
Tbill-364 days	7.04	7.07	3
G-Sec 2Y	7.14	7.14	1
India OIS-2M	6.82	6.83	0
India OIS-9M	7.03	7.03	0
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.31	5.31	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 19 Sep 2023

Fig 5 – Liquidity

Rs tn	15-09-2023	18-09-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.5	1.5	1.0
Reverse repo	0.2	0.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research | Note: Markets in India were closed on 19 Sep 2023

Fig 6 – Capital market flows

	14-09-2023	15-09-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	139.5	(29.3)	(168.8)
Debt	56.5	(65.5)	(122.0)
Equity	83.0	36.2	(46.8)
Mutual funds (Rs cr)	169.0	1,459.8	1,290.7
Debt	(471.2)	1,115.4	1,586.6
Equity	640.3	344.4	(295.9)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual fund data as of 11 Sep 2023 and 12 Sep 2023, Markets in India were closed on 19 Sep 2023

- Oil prices moderated by 0.1% awaiting US inventory data.

Fig 7 – Commodities

	18-09-2023	19-09-2023	% change
Brent crude (US\$/bbl)	94.4	94.3	(0.1)
Gold (US\$/ Troy Ounce)	1,933.8	1,931.4	(0.1)
Copper (US\$/ MT)	8,299.8	8,233.5	(0.8)
Zinc (US\$/MT)	2,510.8	2,467.5	(1.7)
Aluminium (US\$/MT)	2,220.0	2,215.5	(0.2)

Source: Bloomberg, Bank of Baroda Research



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