

MORNING MOCHA

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ECONOMIST
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Ahead of the release of key US GDP print and PCE report, economic data continued to show resilience with consumer confidence jumping to a 5-month high of 110.7 in Dec'23 driven by optimism of current and future business conditions. On the domestic front, RBI in its monthly bulletin highlighted global growth remains fragile and is expected to slowdown in FY24. The disinflation across geographies will also lead the way for interest rate reduction. India is expected to grow at 7% for FY24 while inflation is projected at 5.4% with risks evenly balanced. It was also noted that the risk of stagflation in the country is as low as 1%.

- Global indices closed mixed, with markets in Japan, UK and Hong Kong ending higher and others ending in red. Investors in the US rebalanced portfolios, awaiting US PCE data, due tomorrow. FTSE rose to 3-month high as UK's inflation report pushed chance of rate cut by BoE in Mar'24 to 50%. Sensex fell from its record high, dragged by power, metal and capital good stocks. It is trading further lower today, in line with other Asian markets.

Fig 1 – Stock markets

	19-12-2023	20-12-2023	% change
Dow Jones	37,558	37,082	(1.3)
S & P 500	4,768	4,698	(1.5)
FTSE	7,638	7,716	1.0
Nikkei	33,219	33,676	1.4
Hang Seng	16,505	16,614	0.7
Shanghai Comp	2,932	2,902	(1.0)
Sensex	71,437	70,506	(1.3)
Nifty	21,453	21,150	(1.4)

Source: Bloomberg, Bank of Baroda Research

- Barring JPY (higher) and INR (flat), other global currencies ended lower against the dollar. DXY rose by 0.2%. GBP fell the most as lower than expected UK CPI (lowest in 2 years) has added fuel to speculations of rate cut by BoE in Mar'24. INR ended flat, despite rise in oil prices. However, it is trading lower today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	19-12-2023	20-12-2023	% change
EUR/USD (1 EUR / USD)	1.0981	1.0942	(0.4)
GBP/USD (1 GBP / USD)	1.2732	1.2639	(0.7)
USD/JPY (JPY / 1 USD)	143.84	143.57	0.2
USD/INR (INR / 1 USD)	83.19	83.18	0
USD/CNY (CNY / 1 USD)	7.1185	7.1386	(0.3)

Source: Bloomberg, Bank of Baroda Research

- Except China (flat), other global yields closed lower, with significant decline noted in UK, US (lowest since Jul'23) and Japan's 10Y yields. Despite better



than expected macro data from the US investors are still pricing in a rate cut by Fed in Mar'24. Dip in UK's CPI has also steered hopes of an early rate cut by BoE. India's 10Y yield fell by 1bps, and is trading further lower today.

Fig 3 – Bond 10Y yield

	19-12-2023	20-12-2023	change in bps
US	3.93	3.85	(8)
UK	3.65	3.53	(12)
Germany	2.02	1.97	(4)
Japan	0.63	0.56	(8)
China	2.63	2.64	0
India	7.17	7.17	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	19-12-2023	20-12-2023	change in bps
Tbill-91 days	6.93	6.93	0
Tbill-182 days	7.10	7.13	3
Tbill-364 days	7.07	7.11	4
G-Sec 2Y	7.06	7.06	0
India OIS-2M	6.78	6.77	(1)
India OIS-9M	6.65	6.65	0
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.32	5.31	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	19-12-2023	20-12-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.8	2.3	0.5
Reverse repo	0	0	0
Repo	1.0	1.0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	18-12-2023	19-12-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	474.9	374.1	(100.8)
Debt	259.7	150.5	(109.2)
Equity	215.2	223.6	8.4
Mutual funds (Rs cr)	(3,030.9)	(46.4)	2,984.4
Debt	(1,450.7)	(1,255.8)	194.9
Equity	(1,580.2)	1,209.4	2,789.5

Source: Bloomberg, Bank of Baroda Research | Note: Mutual fund data as of 15 Dec 2023 and 18 Dec 2023

- Oil prices rose a tad, as supply-side tensions in Red Sea were offset by build-up of crude oil stocks in the US.

Fig 7 – Commodities

	19-12-2023	20-12-2023	% change
Brent crude (US\$/bbl)	79.2	79.7	0.6
Gold (US\$/ Troy Ounce)	2,040.4	2,031.4	(0.4)
Copper (US\$/ MT)	8,500.5	8,488.5	(0.1)
Zinc (US\$/MT)	2,584.8	2,559.0	(1.0)
Aluminium (US\$/MT)	2,262.5	2,241.0	(1.0)

Source: Bloomberg, Bank of Baroda Research



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