

## MORNING MOCHA

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ECONOMIST

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Moving in line with market expectations, PBoC has kept its benchmark rates unchanged with 1-year LPR pegged at 3.45% (usually for new and outstanding loans) and 5-year at 4.2% (for mortgage pricing). Separately, Thailand's GDP expanded at a much slower pace in Q3CY23 by 1.5% (1.8% in Q2) on account of slowdown in exports. Investors will closely monitor the OPEC+ meet scheduled this week with the expectation of output cuts proposed to support crude prices. Commentary by Fed officials will also be seen closely given the recent cooler than expected inflation print in US and raised hopes of a pause in the rate hike cycle by Fed.

- Global indices ended mixed. US indices closed higher supported by strong gains in technology, consumer services and telecom. Latest developments in the AI industry was also tracked closely by investors. Nikkei touched its highest level since Jul-1990 during the day and closed in green, supported by earnings season. Sensex ended in red led by losses in auto and capital good stocks. However, it is trading higher today, in line with other Asian indices.

**Fig 1 – Stock markets**

	17-11-2023	20-11-2023	% change
Dow Jones	34,947	35,151	0.6
S & P 500	4,514	4,547	0.7
FTSE	7,504	7,496	(0.1)
Nikkei	33,585	33,388	(0.6)
Hang Seng	17,454	17,778	1.9
Shanghai Comp	3,054	3,068	0.5
Sensex	65,795	65,655	(0.2)
Nifty	19,732	19,694	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Except INR, other global currencies ended higher. DXY fell by 0.5% to more than 2-month low, as weaker than expected US conference board economic index data reaffirms the view that economy is slowing, and Fed has reached the end of its rate hike cycle. JPY and CNY gained the most. INR fell as oil prices rose. However, it is trading higher today, in line with other Asian currencies.

**Fig 2 – Currencies**

	17-11-2023	20-11-2023	% change
EUR/USD (1 EUR / USD)	1.0915	1.0940	0.2
GBP/USD (1 GBP / USD)	1.2462	1.2505	0.3
USD/JPY (JPY / 1 USD)	149.63	148.39	0.8
USD/INR (INR / 1 USD)	83.27	83.35	(0.1)
USD/CNY (CNY / 1 USD)	7.2143	7.1669	0.7

Source: Bloomberg, Bank of Baroda Research



- Barring US and Japan (lower), other global yields closed higher. US 10Y yield declined by 2bps, following strong demand in the Fed auction of treasury securities. Investors also await minutes of last Fed meeting, for more cues on trajectory of rate cuts. India's 10Y yield was up by 4bps to 7.26%, as oil prices inched up again. However, it is trading lower today at 7.24%.

**Fig 3 – Bond 10Y yield**

	17-11-2023	20-11-2023	change in bps
US	4.44	4.42	(2)
UK	4.10	4.13	2
Germany	2.59	2.61	2
Japan	0.76	0.75	(1)
China	2.66	2.66	1
India	7.22	7.26	4

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	17-11-2023	20-11-2023	change in bps
Tbill-91 days	6.91	6.89	(2)
Tbill-182 days	7.06	7.07	1
Tbill-364 days	7.10	7.10	0
G-Sec 2Y	7.19	7.23	3
India OIS-2M	6.84	6.86	2
India OIS-9M	6.85	6.89	4
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	17-11-2023	20-11-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.5	1.0	0.5
Reverse repo	0	0.2	0.2
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	16-11-2023	17-11-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	354.9	(65.7)	(420.6)
Debt	195.7	(20.9)	(216.6)
Equity	159.2	(44.8)	(204.0)
Mutual funds (Rs cr)	(928.4)	(193.9)	734.5
Debt	(1,557.7)	(853.8)	703.9
Equity	629.3	660.0	30.6

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 10 and 13 Nov 2023

- Oil prices inched up by 2.1% as it is anticipated that OPEC+ members will increase supply cuts to support prices.

**Fig 7 – Commodities**

	17-11-2023	20-11-2023	% change
Brent crude (US\$/bbl)	80.6	82.3	2.1
Gold (US\$/ Troy Ounce)	1,980.8	1,978.1	(0.1)
Copper (US\$/ MT)	8,168.2	8,340.3	2.1
Zinc (US\$/MT)	2,553.3	2,559.5	0.2
Aluminium (US\$/MT)	2,207.0	2,245.5	1.7

Source: Bloomberg, Bank of Baroda Research



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