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ECONOMIST
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Fed survey on financial stability highlighted the following concerns amongst the respondents: likelihood of higher rates for a longer period on account of inflation and probability of losses in commercial real estate market. Additionally, there were also concerns around economic weakness in China. Separately, US budget deficit widened to US\$ 1.7tn for the fiscal year (ending on 30 Sep 2023), up from 23.2% compared with last year. The shortfall will add to the growing US debt. On the domestic front, RBI's minutes noted that MPC members remain vigilant on maintaining price stability and focussing on the mandate of medium-term goal of 4% inflation mark.

- Global stocks ended lower as investors continue to monitor geo-political developments and comments by Fed Chair which signalled a possible hold, even as rate hike remains on the table. Amongst other indices, S&P 500 and FTSE declined the most followed by losses in Dow Jones. Sensex too followed suit, led by sharp fall in consumer durable and oil & gas stocks. It is trading further lower today, in line with other Asian markets.

Fig 1 – Stock markets

	19-10-2023	20-10-2023	% change
Dow Jones	33,414	33,127	(0.9)
S & P 500	4,278	4,224	(1.3)
FTSE	7,500	7,402	(1.3)
Nikkei	31,431	31,259	(0.5)
Hang Seng	17,296	17,172	(0.7)
Shanghai Comp	3,005	2,983	(0.7)
Sensex	65,629	65,398	(0.4)
Nifty	19,625	19,543	(0.4)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed against the dollar. DXY fell by 0.1% as investors assessed comments from Fed Chair. GBP appreciated by 0.2% even as UK's retail sales fell more than expected. JPY inched closer to the key 150/\$ mark. INR appreciated supported by RBI intervention. It is weaker today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	19-10-2023	20-10-2023	% change
EUR/USD (1 EUR / USD)	1.0582	1.0594	0.1
GBP/USD (1 GBP / USD)	1.2144	1.2164	0.2
USD/JPY (JPY / 1 USD)	149.80	149.86	0
USD/INR (INR / 1 USD)	83.24	83.12	0.1
USD/CNY (CNY / 1 USD)	7.3104	7.3151	(0.1)

Source: Bloomberg, Bank of Baroda Research



- Except Japan (flat), other major global bond yields edged lower. Investors monitored comments from Fed Chair on future rate path and developments in the Middle-East. US 10Y yield fell the most by 8bps but was still ~30bps higher than last week. India's 10Y yield fell by 1bps supported by better than expected prices in the weekly auction. It is trading a tad higher at 7.37% today.

Fig 3 – Bond 10Y yield

	19-10-2023	20-10-2023	change in bps
US	4.99	4.91	(8)
UK	4.67	4.65	(2)
Germany	2.93	2.89	(4)
Japan	0.84	0.84	0
China	2.72	2.71	(1)
India	7.37	7.36	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	19-10-2023	20-10-2023	change in bps
Tbill-91 days	6.90	6.92	2
Tbill-182 days	7.10	7.11	1
Tbill-364 days	7.12	7.12	0
G-Sec 2Y	7.29	7.30	0
India OIS-2M	6.81	6.83	2
India OIS-9M	6.97	6.95	(2)
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.30	5.30	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	19-10-2023	20-10-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.2	0.8	0.6
Reverse repo	0.1	0	(0.1)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	18-10-2023	19-10-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(192.2)	(116.2)	76.0
Debt	46.8	(1.9)	(48.7)
Equity	(239.0)	(114.3)	124.7
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 eased amidst hopes of de-escalation of tension in Middle-East.

Fig 7 – Commodities

	19-10-2023	20-10-2023	% change
Brent crude (US\$/bbl)	92.4	92.2	(0.2)
Gold (US\$/ Troy Ounce)	1,974.5	1,981.4	0.4
Copper (US\$/ MT)	7,928.0	7,879.8	(0.6)
Zinc (US\$/MT)	2,410.5	2,433.5	1.0
Aluminium (US\$/MT)	2,185.0	2,181.5	(0.2)

Source: Bloomberg, Bank of Baroda Research



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