

MORNING MOCHA

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Concerns around global economic slowdown specially in Europe resurfaced after Eurozone Composite PMI (flash) worsened to 46.5 in Oct'23 (lowest since-Nov'20) from 47.2 in Sep'23. This comes ahead of the ECB policy meet, scheduled later this week wherein it is expected the members might not continue with higher interest rates for a longer period of time. On the other hand, US composite PMI expanded to 51 (highest level since Jul'23) in Oct'23 from 50.2 in Sep'23. This is led by improvement in both manufacturing and services activity with pickup in new orders and easing of inflationary pressures. Separately, Chinese government announced the issuance of 1 tn yuan in government bond as part of the natural disaster relief measures. This is expected to raise the deficit to 3.8% from 3%.

- Barring Hang Seng and Sensex, other global indices advanced. Investors monitored business activity indexes from across the globe. US indices ended higher ahead of the earnings reports even as investors remained watchful of the movement of treasury yields. Sensex ended in red. It opened higher today in line with other Asian stocks. The gain in the Hang Sang index has been led by a rally in technology and consumer durable stocks.

Fig 1 – Stock markets

	23-10-2023	24-10-2023	% change
Dow Jones	32,936	33,141	0.6
S & P 500	4,217	4,248	0.7
FTSE	7,375	7,390	0.2
Nikkei	31,000	31,062	0.2
Hang Seng	17,172	16,992	(1.1)
Shanghai Comp	2,939	2,962	0.8
Sensex	65,398	64,572	(1.3)
Nifty	19,543	19,282	(1.3)

Source: Bloomberg, Bank of Baroda Research | Note: Indian markets were closed on 24.10.23

- Global currencies broadly depreciated against the dollar, as flash PMIs suggested that US economy continues to outperform other major peers. DXY rose by 0.7%, while GBP and EUR both fell by 0.7% each. JPY depreciated further fuelling expectations of BoJ intervention. INR is trading stronger today, in line with other Asian currencies after China announced more stimulus.

Fig 2 – Currencies

	23-10-2023	24-10-2023	% change
EUR/USD (1 EUR / USD)	1.0670	1.0590	(0.7)
GBP/USD (1 GBP / USD)	1.2249	1.2160	(0.7)
USD/JPY (JPY / 1 USD)	149.71	149.91	(0.1)
USD/INR (INR / 1 USD)	83.12	83.19	(0.1)
USD/CNY (CNY / 1 USD)	7.3090	7.3111	0

Source: Bloomberg, Bank of Baroda Research | Note: Indian markets were closed on 24.10.23



- Except India and China (higher), other major global bond yields ended lower. 10Y yields in UK and Germany fell the most as flash PMI signalled a worsening economic outlook. US 10Y yield also dipped after breaching the 5% mark last week. India's 10Y yield rose by 2bps in the last trading session. However, it is trading lower at 7.34% today, following a drop in global yields and oil prices.

Fig 3 – Bond 10Y yield

	23-10-2023	24-10-2023	change in bps
US	4.85	4.82	(3)
UK	4.60	4.54	(6)
Germany	2.87	2.83	(5)
Japan	0.88	0.85	(3)
China	2.71	2.72	2
India	7.36	7.38	2

Source: Bloomberg, Bank of Baroda Research | Note: Indian markets were closed on 24.10.23

Fig 4 – Short term rates

	23-10-2023	24-10-2023	change in bps
Tbill-91 days	6.92	6.94	2
Tbill-182 days	7.11	7.05	(6)
Tbill-364 days	7.12	7.12	0
G-Sec 2Y	7.29	7.30	0
India OIS-2M	6.83	6.83	0
India OIS-9M	6.97	6.97	0
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	20-10-2023	23-10-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.8	1.0	0.2
Reverse repo	0	0.1	0.1
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	19-10-2023	20-10-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(116.2)	296.2	412.5
Debt	(1.9)	79.7	81.6
Equity	(114.3)	216.5	330.9
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 fell amidst demand concerns as Eurozone's flash PMI fell sharply.

Fig 7 – Commodities

	23-10-2023	24-10-2023	% change
Brent crude (US\$/bbl)	89.8	88.1	(2.0)
Gold (US\$/ Troy Ounce)	1,972.9	1,971.0	(0.1)
Copper (US\$/ MT)	7,900.8	7,985.0	1.1
Zinc (US\$/MT)	2,410.0	2,435.2	1.0
Aluminium (US\$/MT)	2,176.0	2,191.0	0.7

Source: Bloomberg, Bank of Baroda Research



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