

## MORNING MOCHA

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ECONOMIST  
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Flash PMIs for major economies show that services activity in the US slowed unexpectedly, while in UK it continues to weaken further in Sep'23. In Eurozone, while Germany's activity contracted at a slower pace, it accelerated in France. UK's retail sales data also confirmed weaker than expected improvement in Aug'23 (-1.4% YoY versus est.: -1.2% and -3.1% in Jul'23). In case of manufacturing, Eurozone (led by Germany and France) and UK, continue to show signs of stress as per flash PMIs for Sep'23. Activity in US also declined, albeit at a slower pace. These data points pose a challenge to Fed's higher rates for longer period policy. On the domestic front, progress of southwest monsoon has been 6% below LPA and Kharif sowing has been slightly higher by 0.3% compared to last year.

- Global indices ended mixed as investors monitored rate decisions by global central banks. Amongst other indices, Nikkei dropped the most followed by Dow Jones. Sensex too ended in red and was dragged down by losses in consumer durable and real estate stocks. It is trading higher today while other Asian indices are trading mixed.

**Fig 1 – Stock markets**

	21-09-2023	22-09-2023	% change
Dow Jones	34,070	33,964	(0.3)
S & P 500	4,330	4,320	(0.2)
FTSE	7,679	7,684	0.1
Nikkei	32,571	32,402	(0.5)
Hang Seng	17,655	18,057	2.3
Shanghai Comp	3,085	3,132	1.5
Sensex	66,230	66,009	(0.3)
Nifty	19,742	19,674	(0.3)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY firmed up after US Fed warned of more tightening in the near term. GBP slipped amidst concerns about the economy being on the brink of recession. Yen declined, with investors now expecting a possible government intervention to support the currency. INR strengthened on hopes of increased foreign flows. It is trading weaker today while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	21-09-2023	22-09-2023	% change
EUR/USD (1 EUR / USD)	1.0661	1.0653	(0.1)
GBP/USD (1 GBP / USD)	1.2298	1.2241	(0.5)
USD/JPY (JPY / 1 USD)	147.59	148.37	(0.5)
USD/INR (INR / 1 USD)	83.09	82.94	0.2
USD/CNY (CNY / 1 USD)	7.3064	7.2990	0.1

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. While 10Y yield in US and UK fell by 6bps each, they were flat in Germany and Japan. Unexpected slowdown in US' services sector and continued decline in activity in UK impacted investor sentiments. India's 10Y yield rose by 2bps, as oil prices remain elevated. However, following global cues, it is trading lower again at 7.16%.

**Fig 3 – Bond 10Y yield**

	21-09-2023	22-09-2023	change in bps
US	4.49	4.43	(6)
UK	4.31	4.25	(6)
Germany	2.74	2.74	0
Japan	0.74	0.75	0
China	2.68	2.69	2
India	7.16	7.19	2

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	21-09-2023	22-09-2023	change in bps
Tbill-91 days	6.79	6.86	7
Tbill-182 days	7.03	7.06	3
Tbill-364 days	7.07	7.07	0
G-Sec 2Y	7.14	7.15	0
India OIS-2M	6.84	6.83	(1)
India OIS-9M	7.03	7.04	1
SONIA int rate benchmark	5.18	5.18	0
US SOFR	5.30	5.30	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	21-09-2023	22-09-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.5	1.2	(0.3)
Reverse repo	0.2	0	(0.2)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	20-09-2023	21-09-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(506.4)	(255.4)	251.0
Debt	(137.0)	(29.9)	107.1
Equity	(369.5)	(225.5)	143.9
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, Mutual fund data as of 11 and 12 Sep

- Oil prices remained flat, dragged by prospects of weakening demand.

**Fig 7 – Commodities**

	21-09-2023	22-09-2023	% change
Brent crude (US\$/bbl)	93.3	93.3	0
Gold (US\$/ Troy Ounce)	1,920.0	1,925.2	0.3
Copper (US\$/ MT)	8,129.8	8,161.7	0.4
Zinc (US\$/MT)	2,488.5	2,541.3	2.1
Aluminium (US\$/MT)	2,212.0	2,240.5	1.3

Source: Bloomberg, Bank of Baroda Research



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