

MORNING MOCHA

26 December 2023

ECONOMIST
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Global markets traded in narrow ranges in the holiday thinned trading week. Data from US late last week showed that PCE index fell by 0.1% in Nov'23 on a MoM basis, noting its first negative reading since Apr'20. On a YoY basis, PCE moderated to 2.6% from 2.9% in Oct'23. Core PCE also moderated to 3.2% from 3.4% in Oct'23 (YoY). This was also reflected in University of Michigan's consumer confidence index which rose sharply to 69.7 in Dec'23. New durable goods orders also rose by 5.4% in Nov'23, after falling by 5.1% in Oct'23. On the other hand, new home sales fell by 12.2% to 590,000. Overall investors' expectations of rate cuts by Fed have strengthened with an almost 75% probability (CME FedWatch) of the first rate cut in Mar'24. On the domestic side, RBI minutes highlighted that MPC members remained wary on inflation amidst the volatility in food prices.

- Global equity markets refrained from holding any major positions in the holiday truncated week. US stocks monitored host of data releases such as core PCE which softened and also capital goods orders which inched up. Hang Seng and Shanghai Comp inched down. Sensex rose by 0.3%, supported by power and oil and gas stocks. It is trading lower today in line with other Asian stocks.

Fig 1 – Stock markets

	21-12-2023	22-12-2023	% change
Dow Jones	37,404	37,386	0
S & P 500	4,747	4,755	0.2
FTSE	7,695	7,698	0
Nikkei	33,140	33,169	0.1
Hang Seng	16,621	16,340	(1.7)
Shanghai Comp	2,919	2,915	(0.1)
Sensex	70,865	71,107	0.3
Nifty	21,255	21,349	0.4

Source: Bloomberg, Bank of Baroda Research | Global markets were closed on 25 Dec 2023

- Global currencies traded in tight ranges. DXY fell by 0.1% to a 5-month low as investors view of rate cuts was reinforced after US PCE inflation moderated further. JPY continued to remain under pressure and fell by 0.2%. INR appreciated by 0.2% following a decline in oil prices. It is trading further stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	21-12-2023	22-12-2023	% change
EUR/USD (1 EUR / USD)	1.1011	1.1014	0
GBP/USD (1 GBP / USD)	1.2690	1.2701	0.1
USD/JPY (JPY / 1 USD)	142.12	142.41	(0.2)
USD/INR (INR / 1 USD)	83.28	83.15	0.2
USD/CNY (CNY / 1 USD)	7.1378	7.1357	0

Source: Bloomberg, Bank of Baroda Research | Global markets were closed on 25 Dec 2023



- Global yields noticed thin trading. Japan's 10Y yield rose by 4bps. UK's 10Y yield fell by 2bps monitoring contraction in GDP in Q3. India's 10Y closed stable at 7.19%. It is trading at the same level today. Notably, the bids received for 7-day VRR auction reflected tighter liquidity conditions and higher demand for funds.

Fig 3 – Bond 10Y yield

	21-12-2023	22-12-2023	change in bps
US	3.89	3.90	1
UK	3.53	3.51	(2)
Germany	1.96	1.98	2
Japan	0.58	0.63	4
China	2.62	2.62	0
India	7.19	7.19	0

Source: Bloomberg, Bank of Baroda Research | Global markets were closed on 25 Dec 2023

Fig 4 – Short term rates

	21-12-2023	22-12-2023	change in bps
Tbill-91 days	6.93	6.93	0
Tbill-182 days	7.13	7.10	(3)
Tbill-364 days	7.11	7.11	0
G-Sec 2Y	7.06	7.07	1
India OIS-2M	6.77	6.78	1
India OIS-9M	6.65	6.67	2
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.31	5.31	0

Source: Bloomberg, Bank of Baroda Research | Global markets were closed on 25 Dec 2023

Fig 5 – Liquidity

Rs tn	21-12-2023	22-12-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	2.6	2.6	0
Reverse repo	0	0	0
Repo	1.0	0	(1.0)

Source: RBI, Bank of Baroda Research | Markets were closed on 25 Dec 2023

Fig 6 – Capital market flows

	20-12-2023	21-12-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	260.2	(103.0)	(363.2)
Debt	18.8	54.4	35.7
Equity	241.4	(157.5)	(398.9)
Mutual funds (Rs cr)	1,225.7	2,082.3	856.6
Debt	276.1	(1,690.6)	(1,966.7)
Equity	949.6	3,772.8	2,823.3

Source: Bloomberg, Bank of Baroda Research | Note: Mutual fund data as of 19 Dec 2023 and 20 Dec 2023 | Global markets were closed on 25 Dec 2023

- Oil prices fell marginally as investors monitored the situation in Red Sea area.

Fig 7 – Commodities

	21-12-2023	22-12-2023	% change
Brent crude (US\$/bbl)	79.4	79.1	(0.4)
Gold (US\$/ Troy Ounce)	2,046.0	2,053.1	0.3
Copper (US\$/ MT)	8,508.5	8,483.5	(0.3)
Zinc (US\$/MT)	2,535.0	2,588.3	2.1
Aluminium (US\$/MT)	2,244.0	2,326.0	3.7

Source: Bloomberg, Bank of Baroda Research | Global markets were closed on 25 Dec 2023



