

MORNING MOCHA

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ECONOMIST
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Uncertainty around US government shutdown, slated to begin from 1 Oct 2023, is causing new worries. Higher supply of papers to finance its deficit and subdued demand owing to shutdown risks has pushed US 10Y yield to highest levels since 2007. Moody's has also warned that shutdown may impact US' credit rating and outlook. Investors now await home sales and consumer confidence data to gauge Fed's future rate trajectory. In Europe, Germany's IFO business sentiment index fell again in Sep'23 to 85.7 from 85.8 in Aug'23, dragged by bleak outlook in services trade and construction sector. Most analyst expect economy to have contracted in Q3 following stagnation in Q2.

- Global indices ended mixed as investors expect higher rates for longer period of time. US indices ended in green ahead of the remarks by Fed policy makers which might offer guidance on the interest rate path. Elsewhere, Hang Seng dropped the most followed by FTSE. Sensex ended flat led by global cues. However, it opened higher today while other Asian indices are trading lower.

Fig 1 – Stock markets

	22-09-2023	25-09-2023	% change
Dow Jones	33,964	34,007	0.1
S & P 500	4,320	4,337	0.4
FTSE	7,684	7,624	(0.8)
Nikkei	32,402	32,679	0.9
Hang Seng	18,057	17,729	(1.8)
Shanghai Comp	3,132	3,116	(0.5)
Sensex	66,009	66,024	0
Nifty	19,674	19,675	0

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended lower. DXY edged up by 0.4% (highest since Nov'22) after bond yield surged to 16-year high. Dollar is expected to remain firm on the back of haven demand amidst concerns over weak global growth. Euro and Yuan came under pressure and remain vulnerable. INR depreciated and is trading weaker today, while other currencies are trading mixed.

Fig 2 – Currencies

	22-09-2023	25-09-2023	% change
EUR/USD (1 EUR / USD)	1.0653	1.0593	(0.6)
GBP/USD (1 GBP / USD)	1.2241	1.2211	(0.2)
USD/JPY (JPY / 1 USD)	148.37	148.88	(0.3)
USD/INR (INR / 1 USD)	82.94	83.15	(0.3)
USD/CNY (CNY / 1 USD)	7.2990	7.3120	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Except Japan and India (lower), other global yields closed higher. US 10Y yield jumped the most, followed by UK and Germany. Excessive supply of paper in



the US and no sight of Fed rate cuts, impacted yields. India's 10Y yield fell by 3bps, awaiting RBI's decision next week. However, following global cues, it is trading sharply higher at 7.21%.

Fig 3 – Bond 10Y yield

	22-09-2023	25-09-2023	change in bps
US	4.43	4.53	10
UK	4.25	4.32	7
Germany	2.74	2.80	6
Japan	0.75	0.74	(1)
China	2.69	2.70	1
India	7.19	7.15	(3)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	22-09-2023	25-09-2023	change in bps
Tbill-91 days	6.86	6.81	(5)
Tbill-182 days	7.06	6.99	(7)
Tbill-364 days	7.07	7.05	(2)
G-Sec 2Y	7.15	7.16	1
India OIS-2M	6.83	6.83	0
India OIS-9M	7.04	7.04	0
SONIA int rate benchmark	5.18	5.19	0
US SOFR	5.30	5.30	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	22-09-2023	25-09-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.2	1.4	0.2
Reverse repo	0	0.1	0.1
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	21-09-2023	22-09-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(255.4)	(96.2)	159.2
Debt	(29.9)	44.3	74.1
Equity	(225.5)	(140.5)	85.1
Mutual funds (Rs cr)	169.0	1,209.1	1,040.1
Debt	(471.2)	556.8	1,028.0
Equity	640.3	652.3	12.0

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 11 and 12 Sep

- Oil prices remained flat, as Russia made changes to its fuel export ban and stronger dollar impacted demand.

Fig 7 – Commodities

	22-09-2023	25-09-2023	% change
Brent crude (US\$/bbl)	93.3	93.3	0
Gold (US\$/ Troy Ounce)	1,925.2	1,915.9	(0.5)
Copper (US\$/ MT)	8,161.7	8,075.4	(1.1)
Zinc (US\$/MT)	2,541.3	2,509.0	(1.3)
Aluminium (US\$/MT)	2,240.5	2,233.5	(0.3)

Source: Bloomberg, Bank of Baroda Research



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