

MORNING MOCHA

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ECONOMIST

Jahnavi Prabhakar

ECB kept interest rate on hold, breaking the streak of rate hikes that began in Jul'22. It noted that current level is enough to cool down inflation if the rates are maintained for 'sufficiently long time'. It also stated the past rate hikes continue to be 'transmitted forcefully into financial conditions'. ECB reiterated that they will continue with PEPP till the end of next year and will add another US\$ 1.79tn and warned that the economy remains weak. On the other hand, US economy accelerated as its fastest pace in over 2-years to grow at 4.9% in Q3 with personal spending being the main growth driver. Separately, China's industrial profits dropped by 9% for the period between Jan-Sep'23 compared with 11.7% in Jan-Aug'23 period. Tokyo's core consumer inflation (ex food) rose more than anticipated to 2.7% (ext: 2.5%) in Oct'23 ahead of BoJ's rate decision scheduled next week.

- Barring Shanghai Comp, other global indices ended in red as investors monitored mixed economic data from US and ECB kept rates on hold for the first time. In US, technology and related stocks declined the most on the back of the disappointing results. Sensex too ended in red led by losses in oil & gas and metal stocks. However, it is trading higher today in line with other Asian stocks.

Fig 1 – Stock markets

	25-10-2023	26-10-2023	% change
Dow Jones	33,036	32,784	(0.8)
S & P 500	4,187	4,137	(1.2)
FTSE	7,414	7,355	(0.8)
Nikkei	31,270	30,602	(2.1)
Hang Seng	17,085	17,045	(0.2)
Shanghai Comp	2,974	2,988	0.5
Sensex	64,049	63,148	(1.4)
Nifty	19,122	18,857	(1.4)

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. DXY rose by 0.1% after better than expected GDP print. EUR closed flat after ECB's decision. JPY fell further even as the government kept a close eye on the forex market. INR depreciated by 0.1% amidst losses in domestic equities. It is trading further weaker today, while other Asian currencies are trading higher.

Fig 2 – Currencies

	25-10-2023	26-10-2023	% change
EUR/USD (1 EUR / USD)	1.0566	1.0563	0
GBP/USD (1 GBP / USD)	1.2112	1.2129	0.1
USD/JPY (JPY / 1 USD)	150.23	150.40	(0.1)
USD/INR (INR / 1 USD)	83.19	83.23	(0.1)
USD/CNY (CNY / 1 USD)	7.3172	7.3168	0

Source: Bloomberg, Bank of Baroda Research



- Global yields ended mixed. US 10Y yield fell by 11bps tracking macro data. While GDP growth accelerated, inflation as measured by PCE eased. Jobless claims too rose more than expected. Japan's 10Y yield rose by 2bps to a ~10-year high, inching closer to BoJ's recently revised 1% cap. India's 10Y yield rose by 3bps, but is trading at 7.35% today ahead of weekly auction.

Fig 3 – Bond 10Y yield

	25-10-2023	26-10-2023	change in bps
US	4.95	4.84	(11)
UK	4.61	4.60	(1)
Germany	2.89	2.86	(3)
Japan	0.86	0.88	2
China	2.71	2.72	0
India	7.34	7.37	3

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	25-10-2023	26-10-2023	change in bps
Tbill-91 days	6.93	6.91	(2)
Tbill-182 days	7.13	7.12	(1)
Tbill-364 days	7.15	7.15	0
G-Sec 2Y	7.28	7.32	4
India OIS-2M	6.78	6.81	3
India OIS-9M	6.96	6.95	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	25-10-2023	26-10-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.1	0.9	(0.3)
Reverse repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	23-10-2023	25-10-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	33.7	(487.0)	(520.7)
Debt	(15.6)	(2.9)	12.6
Equity	49.3	(484.1)	(533.4)
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 by 2.4% amidst an increase in US crude inventories.

Fig 7 – Commodities

	25-10-2023	26-10-2023	% change
Brent crude (US\$/bbl)	90.1	87.9	(2.4)
Gold (US\$/ Troy Ounce)	1,979.7	1,984.7	0.3
Copper (US\$/ MT)	7,958.5	7,911.0	(0.6)
Zinc (US\$/MT)	2,471.9	2,426.3	(1.8)
Aluminium (US\$/MT)	2,219.0	2,197.5	(1.0)

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

Chief Economist

Bank of Baroda

chief.economist@bankofbaroda.com