

## MORNING MOCHA

27 September 2023

ECONOMIST  
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Chances of soft landing of the US economy have increased with new home sales and consumer confidence taking a hit. New home sales in Aug'23 fell by (-) 8.7% (MoM) to 675k units versus est.: 700k units and from 714k units in Jul'23. Jump in 30Y mortgage rate to above 7% has curtailed demand. Conference board consumer sentiment index also declined to 4-month low in Sep'23 to 103 from est.: 105.5 and 106.1 in Aug'23. In addition, possibility of US government shutdown also kept investors on edge. China's latest macro data also shows that industrial profits continued to decline in Aug'23 (YTD basis), albeit at a slower pace as they fell by (-) 11.7% from (-) 15.5% as of Jul'23. Govt also released its H2 issuance calendar. While the borrowing plan remains unchanged, a key change is introduction of 50Y bond. Borrowing is skewed toward longer tenured bonds in H2.

- Barring FTSE (flat), other global indices ended lower as concerns around economic slowdown and higher-for-longer interest rates adversely impacted investor sentiments. Additionally, risk of partial US government shutdown added to the fears. Sensex too ended in red led by subdued global cues and losses in banking and IT stocks. It opened lower today in line with other Asian indices.

**Fig 1 – Stock markets**

	25-09-2023	26-09-2023	% change
Dow Jones	34,007	33,619	(1.1)
S & P 500	4,337	4,274	(1.5)
FTSE	7,624	7,626	0
Nikkei	32,679	32,315	(1.1)
Hang Seng	17,729	17,467	(1.5)
Shanghai Comp	3,116	3,102	(0.4)
Sensex	66,024	65,945	(0.1)
Nifty	19,675	19,665	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Except Yuan (flat), other global currencies ended lower. DXY continued to advance (0.2%) as bond yields remained elevated over hawkish commentary by US Fed. INR depreciated as oil prices inched up. It is trading stronger today, while other currencies are trading mixed.

**Fig 2 – Currencies**

	25-09-2023	26-09-2023	% change
EUR/USD (1 EUR / USD)	1.0593	1.0572	(0.2)
GBP/USD (1 GBP / USD)	1.2211	1.2158	(0.4)
USD/JPY (JPY / 1 USD)	148.88	149.07	(0.1)
USD/INR (INR / 1 USD)	83.15	83.24	(0.1)
USD/CNY (CNY / 1 USD)	7.3120	7.3112	0

Source: Bloomberg, Bank of Baroda Research



- Global yields closed broadly stable. 10Y yields in US, UK, and China remained unchanged, while they inched up a tad in Germany and Japan. Slowdown in new home sales in the US, drop in consumer confidence, and possibility of government shutdown, kept investors on edge. India's 10Y yield fell by 1bps, following global cues. It is trading broadly steady at 7.15% today.

**Fig 3 – Bond 10Y yield**

	25-09-2023	26-09-2023	change in bps
US	4.53	4.54	0
UK	4.32	4.33	0
Germany	2.80	2.81	1
Japan	0.74	0.74	1
China	2.70	2.71	0
India	7.15	7.14	(1)

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	25-09-2023	26-09-2023	change in bps
Tbill-91 days	6.81	6.84	3
Tbill-182 days	6.99	7.02	3
Tbill-364 days	7.05	7.05	0
G-Sec 2Y	7.16	7.16	1
India OIS-2M	6.83	6.83	0
India OIS-9M	7.04	7.02	(2)
SONIA int rate benchmark	5.19	5.18	0
US SOFR	5.30	5.31	1

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	25-09-2023	26-09-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.4	1.3	(0.1)
Reverse repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	22-09-2023	25-09-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(96.2)	(159.3)	(63.1)
Debt	44.3	7.6	(36.7)
Equity	(140.5)	(166.9)	(26.4)
Mutual funds (Rs cr)	(153.2)	(879.8)	(726.7)
Debt	(1,020.6)	(2,298.5)	(1,277.9)
Equity	867.5	1,418.7	551.3

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 20 and 21 Sep

- Oil prices inched up, over concerns of tighter supplies (US crude stockpiles).

**Fig 7 – Commodities**

	25-09-2023	26-09-2023	% change
Brent crude (US\$/bbl)	93.3	94.0	0.7
Gold (US\$/ Troy Ounce)	1,915.9	1,900.7	(0.8)
Copper (US\$/ MT)	8,075.4	8,034.2	(0.5)
Zinc (US\$/MT)	2,509.0	2,486.5	(0.9)
Aluminium (US\$/MT)	2,233.5	2,243.5	0.4

Source: Bloomberg, Bank of Baroda Research



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