

## MORNING MOCHA

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ECONOMIST  
Aditi Gupta

Providing fresh signs that the US economy may be slowing down, new home sales declined by 5.6% to 679,000 (est. 723,000). The 30-year fixed mortgage rate remains elevated at ~7.29%. Expectations that the Fed rates have peaked have strengthened, with investors now anticipating the possibility of a sooner-than-expected rate cuts. This has weighed on the dollar and treasury yields. All eyes are on the PCE data scheduled later in the week. Separately, growth in industrial profits in China slowed down to 2.7% in Oct'23, after increasing by 11.9% in Sep'23. Apart from US PCE data, focus will also be on OPEC+ meet, US and China's official PMIs and Eurozone's inflation data due in the week. In India, Q2FY24 GDP data is due.

- Global stocks ended lower. Investors remained cautious amidst rate cut bets by Fed. CME Fed watch tool is pricing in a probability of 23.1% of a rate cut in Mar'24 meeting. Weaker macros in the US and commentary by ECB President on softer economic activity, also impacted sentiments. In China, regulators spoke of weaker credit demand. Nikkei fell the most followed by Shanghai Comp. Sensex is trading higher today, while Asian stocks are trading mixed.

**Fig 1 – Stock markets**

	24-11-2023	27-11-2023	% change
Dow Jones	35,390	35,333	(0.2)
S & P 500	4,559	4,550	(0.2)
FTSE	7,488	7,461	(0.4)
Nikkei	33,626	33,448	(0.5)
Hang Seng	17,559	17,525	(0.2)
Shanghai Comp	3,041	3,032	(0.3)
Sensex	66,018	65,970	(0.1)
Nifty	19,802	19,795	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 27 Nov 2023

- Except INR and CNY, other global currencies ended stronger against the dollar. DXY fell by 0.2% and traded near a 3-month low amidst weak economic data (new home sales). JPY gained the most and appreciated by 0.5%. INR ended at a fresh-record low despite a weaker dollar and lower oil prices. It is trading near similar levels today, while other Asian currencies are trading stronger.

**Fig 2 – Currencies**

	24-11-2023	27-11-2023	% change
EUR/USD (1 EUR / USD)	1.0939	1.0954	0.1
GBP/USD (1 GBP / USD)	1.2603	1.2627	0.2
USD/JPY (JPY / 1 USD)	149.44	148.69	0.5
USD/INR (INR / 1 USD)	83.34	83.38	0
USD/CNY (CNY / 1 USD)	7.1490	7.1528	(0.1)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 27 Nov 2023



- Global yields closed mixed. US 10Y yield fell by 8bps as new home sales data remained weaker and expectation of future rate cut by Fed built up. Germany's 10Y yield fell by 9bps as Q3 final estimate showed contraction in economic activity. Japan and China's yield closed stable in absence of fresh cues. India's 10Y yield is trading a tad lower at 7.26% today.

**Fig 3 – Bond 10Y yield**

	24-11-2023	27-11-2023	change in bps
US	4.47	4.39	(8)
UK	4.28	4.21	(7)
Germany	2.64	2.55	(9)
Japan	0.78	0.78	0
China	2.71	2.71	0
India	7.26	7.27	1

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 27 Nov 2023

**Fig 4 – Short term rates**

	24-11-2023	27-11-2023	change in bps
Tbill-91 days	6.94	6.94	0
Tbill-182 days	7.10	7.09	(1)
Tbill-364 days	7.14	7.12	(2)
G-Sec 2Y	7.26	7.26	1
India OIS-2M	6.87	6.88	1
India OIS-9M	6.90	6.91	1
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.31	5.32	1

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 27 Nov 2023

**Fig 5 – Liquidity**

Rs tn	23-11-2023	24-11-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.6	1.2	(0.4)
Reverse repo	0.2	0.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research | Note: Markets in India were closed on 27 Nov 2023

**Fig 6 – Capital market flows**

	22-11-2023	23-11-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(7.3)	(32.6)	(25.2)
Debt	156.4	(204.6)	(361.0)
Equity	(163.8)	172.0	335.8
Mutual funds (Rs cr)	(1,484.0)	2,772.7	4,256.7
Debt	(2,095.9)	1,325.9	3,421.8
Equity	611.9	1,446.8	834.9

Source: Bloomberg, Bank of Baroda Research | Note: Mutual fund data as of 21 Nov 2023 and 22 Nov 2023

- Oil prices fell further awaiting results of OPEC+ meet scheduled this week.

**Fig 7 – Commodities**

	24-11-2023	27-11-2023	% change
Brent crude (US\$/bbl)	80.6	80.0	(0.7)
Gold (US\$/ Troy Ounce)	2,000.8	2,014.1	0.7
Copper (US\$/ MT)	8,329.8	8,259.3	(0.8)
Zinc (US\$/MT)	2,552.0	2,532.3	(0.8)
Aluminium (US\$/MT)	2,216.0	2,210.5	(0.2)

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](mailto:chief.economist@bankofbaroda.com)