

## MORNING MOCHA

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ECONOMIST  
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US durable goods orders bounced back in Aug'23, posting 0.2% increase versus est.: -0.5% decline and reviving from fall of -5.6% in Jul'23. This was led by orders for machinery, electrical equipment/appliances, computers, and fabricated & metal products. Even core orders (non-defence capital goods ex aircrafts) rose by 0.9%, versus a decline of -0.4% in Jul'23. This is expected to give Q3 GDP print a boost and has revived concerns of Fed keeping rates elevated for a longer period of time. On the other hand, in Australia, slowdown in economy is visible as retails sales growth moderated more than expected in Aug'23 to 0.2% (est.: 0.3%) from 0.5% in Jul'23. Higher inflation and elevated rates are leading to cutbacks in spending. In Europe, Germany's Gfk consumer sentiment index for Oct'23 fell further to -26.5 from -25.6 in Sep'23, mainly owing to higher food and energy prices.

- Global indices ended mixed as investors continue to monitor interest rate outlook and higher oil prices. European indices ended in red on concerns of slowdown (Germany's GFK expect consumer sentiment taking a hit). However, Sensex ended in green led by gains capital good and real estate stocks. It opened higher today while other Asian indices are trading mixed.

**Fig 1 – Stock markets**

	26-09-2023	27-09-2023	% change
Dow Jones	33,619	33,550	(0.2)
S & P 500	4,274	4,275	0
FTSE	7,626	7,593	(0.4)
Nikkei	32,315	32,372	0.2
Hang Seng	17,467	17,612	0.8
Shanghai Comp	3,102	3,107	0.2
Sensex	65,945	66,119	0.3
Nifty	19,665	19,716	0.3

Source: Bloomberg, Bank of Baroda Research

- Barring INR and Yuan (flat), other global currencies ended lower. DXY peaked to a 10-month high (0.4%) while Euro slid to 6-month low over concerns of slowdown. Yen continued to weaken as investors awaited government intervention. BoJ highlighted in the minutes to continue with ultra-low rates. INR ended flat. It is trading stronger today, while other currencies are trading mixed.

**Fig 2 – Currencies**

	26-09-2023	27-09-2023	% change
EUR/USD (1 EUR / USD)	1.0572	1.0503	(0.7)
GBP/USD (1 GBP / USD)	1.2158	1.2135	(0.2)
USD/JPY (JPY / 1 USD)	149.07	149.63	(0.4)
USD/INR (INR / 1 USD)	83.24	83.23	0
USD/CNY (CNY / 1 USD)	7.3112	7.3118	0

Source: Bloomberg, Bank of Baroda Research



- Except Japan (flat) and China (lower), other global yields closed higher. 10Y yields in US and Germany rose the most. Unexpected rebound in US durable goods orders has revived concerns over 'higher-for-longer' rates by Fed. India's 10Y yield rose by 3bps, as oil prices inched up. Following global cues, it trading sharply higher at 7.25% today.

**Fig 3 – Bond 10Y yield**

	26-09-2023	27-09-2023	change in bps
US	4.54	4.61	7
UK	4.33	4.36	3
Germany	2.81	2.84	4
Japan	0.74	0.74	0
China	2.71	2.69	(1)
India	7.14	7.17	3

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	26-09-2023	27-09-2023	change in bps
Tbill-91 days	6.84	6.85	1
Tbill-182 days	7.02	7.06	4
Tbill-364 days	7.05	7.07	2
G-Sec 2Y	7.16	7.16	0
India OIS-2M	6.83	6.83	0
India OIS-9M	7.02	7.02	0
SONIA int rate benchmark	5.18	5.19	0
US SOFR	5.31	5.31	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	26-09-2023	27-09-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.3	1.2	(0.1)
Reverse repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	25-09-2023	26-09-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(159.3)	70.5	229.8
Debt	7.6	53.9	46.4
Equity	(166.9)	16.6	183.4
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 rose by 2.8%, following news of steep decline in US crude stockpiles.

**Fig 7 – Commodities**

	26-09-2023	27-09-2023	% change
Brent crude (US\$/bbl)	94.0	96.6	2.8
Gold (US\$/ Troy Ounce)	1,900.7	1,875.1	(1.3)
Copper (US\$/ MT)	8,034.2	8,056.5	0.3
Zinc (US\$/MT)	2,486.5	2,451.0	(1.4)
Aluminium (US\$/MT)	2,243.5	2,238.0	(0.2)

Source: Bloomberg, Bank of Baroda Research



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