

## MORNING MOCHA

29 August 2023

ECONOMIST  
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Market participants await more cues from US macro data to gauge Fed's future rate actions. US personal consumption expenditure price index and non-farm job additions data are due this week. Investors have assigned 62% probability for rate hike in Nov'23. In Europe, growing economic pains (stagnation in Germany and faltering PMIs) are putting pressure on ECB to pause earlier than anticipated. Further, weakness in global economic activity is likely to continue as China's industrial profits data showed that profits fell by another (-) 6.7% in Jul'23 following (-) 8.3% dip in Jun'23, largely owing to steady decline in commodity prices.

- Global indices ended higher as investors await key releases (US PCE and jobs data) that will offer guidance on Fed's rate trajectory. US indices advanced, led by gains in tech stocks. Nikkei surged the most, followed by Shanghai Comp. Sensex too traded in green, led by cap goods and real estate stocks. It is trading higher today, in line with other Asian stocks.

**Fig 1 – Stock markets**

	25-08-2023	28-08-2023	% change
Dow Jones	34,347	34,560	0.6
S & P 500	4,406	4,433	0.6
FTSE	7,334	7,339	0.1
Nikkei	31,624	32,170	1.7
Hang Seng	17,956	18,131	1.0
Shanghai Comp	3,064	3,099	1.1
Sensex	64,887	64,997	0.2
Nifty	19,266	19,306	0.2

Source: Bloomberg, Bank of Baroda Research| Note: Markets in UK were closed on 28.08.2023

- Global currencies ended mixed against the dollar. DXY is up by more than 2% this month over expectations of rates remaining high for a longer period (62% chance of hike in Nov'23 from 42% earlier) and was also supported by Fed's hawkish commentary. INR is trading stronger today while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	25-08-2023	28-08-2023	% change
EUR/USD (1 EUR / USD)	1.0796	1.0819	0.2
GBP/USD (1 GBP / USD)	1.2578	1.2602	0.2
USD/JPY (JPY / 1 USD)	146.44	146.54	(0.1)
USD/INR (INR / 1 USD)	82.66	82.63	0
USD/CNY (CNY / 1 USD)	7.2872	7.2889	0

Source: Bloomberg, Bank of Baroda Research| Note: Markets in UK were closed on 28.08.2023

- Global yields closed mixed. While 10Y yield in US fell, they were flat in Germany and Japan. Investors await key data releases due this week- US PCE price index, and non-farm payrolls, for cues on Fed's future rate action. India's 10Y



yield was down by 2bps as oil prices eased. It is trading further lower today at 7.16%.

**Fig 3 – Bond 10Y yield**

	25-08-2023	28-08-2023	change in bps
US	4.24	4.20	(3)
UK	4.43	4.44	1
Germany	2.56	2.56	0
Japan	0.66	0.66	0
China	2.57	2.59	2
India	7.20	7.18	(2)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in UK were closed on 28.08.2023

**Fig 4 – Short term rates**

	25-08-2023	28-08-2023	change in bps
Tbill-91 days	6.81	6.76	(5)
Tbill-182 days	7.01	7.00	(1)
Tbill-364 days	7.02	7.02	0
G-Sec 2Y	7.11	7.10	(2)
India OIS-2M	6.78	6.77	(1)
India OIS-9M	6.98	6.96	(2)
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.30	5.30	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in UK were closed on 28.08.2023

**Fig 5 – Liquidity**

Rs tn	25-08-2023	28-08-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.1)	(0.3)	(0.2)
Reverse repo	0	0.2	0.2
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	24-08-2023	25-08-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	237.6	(186.7)	(424.3)
Debt	(29.7)	19.7	49.4
Equity	267.2	(206.5)	(473.7)
Mutual funds (Rs cr)	60.9	410.1	349.3
Debt	(900.6)	(31.0)	869.6
Equity	961.4	441.1	(520.3)

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 22<sup>nd</sup> and 23<sup>rd</sup> Aug

- Global crude oil prices slipped by 0.1% amidst demand concerns around possible US interest rate hikes.

**Fig 7 – Commodities**

	25-08-2023	28-08-2023	% change
Brent crude (US\$/bbl)	84.5	84.4	(0.1)
Gold (US\$/ Troy Ounce)	1,915.0	1,920.2	0.3
Copper (US\$/ MT)	8,326.5	8,319.3	(0.1)
Zinc (US\$/MT)	2,377.8	2,371.0	(0.3)
Aluminium (US\$/MT)	2,157.5	2,150.5	(0.3)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in UK were closed on 28.08.2023



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