

## MORNING MOCHA

29 December 2023

ECONOMIST

Aditi Gupta

Macro data from US suggested a further cooldown in economic activity, indicating that the Fed is on track to cut rates. Jobless claims rose by 12,000 to 218,000 versus consensus estimate of 210,000, marking a second consecutive weekly increase. Separate data showed that pending home sales remained flat at a record low, below expectations of a 1% increase, despite lower mortgage rates. CPI inflation in South Korea moderated to 3.2% in Dec'23 versus an increase of 3.3% in Nov'23. RBI's Financial Stability Report highlighted that GNPA of SCBs declined further to 3.2% in Sep'23 from 3.9% in Mar'23. However, the report flagged some risks with regard to higher vintage delinquency in some personal loan segments. Further, macro stress tests results indicated that even under severe stress scenario banks' CRAR is expected to remain above the minimum capital requirements.

- Global equity indices broadly closed higher. Traders are entering 2024 with a thoroughly dovish rhetoric, at least in case of Fed. Expectations are that the reverberation will be felt across major central banks, sooner or later. Hang Seng rose the most, followed by Shanghai Comp. Sensex rose by 0.5%, led by oil and gas stocks. It is trading lower today in line with other Asian stocks.

**Fig 1 – Stock markets**

	27-12-2023	28-12-2023	% change
Dow Jones	37,657	37,710	0.1
S & P 500	4,782	4,783	0
FTSE	7,725	7,723	0
Nikkei	33,681	33,540	(0.4)
Hang Seng	16,625	17,044	2.5
Shanghai Comp	2,915	2,955	1.4
Sensex	72,038	72,410	0.5
Nifty	21,655	21,779	0.6

Source: Bloomberg, Bank of Baroda Research

- Except EUR and GBP, other global currencies appreciated against the dollar. After falling for 4-straight sessions, DXY recovered amidst an uptick in US treasury yields. CNY appreciated by 0.5%. Following a dip in oil prices, INR strengthened and rose by 0.2%. It is trading further stronger today, in line with other Asian currencies.

**Fig 2 – Currencies**

	27-12-2023	28-12-2023	% change
EUR/USD (1 EUR / USD)	1.1105	1.1061	(0.4)
GBP/USD (1 GBP / USD)	1.2798	1.2733	(0.5)
USD/JPY (JPY / 1 USD)	141.83	141.41	0.3
USD/INR (INR / 1 USD)	83.35	83.17	0.2
USD/CNY (CNY / 1 USD)	7.1427	7.1104	0.5

Source: Bloomberg, Bank of Baroda Research



- Global yields broadly closed higher due to realignment of portfolio ahead of the last trading day of the year. UK's 10Y yield rose by 6bps, followed by US and Germany, noting 5bps increase each. This is despite US jobless claims data pointing towards softer labour market conditions. India's 10Y closed stable amidst announcement of 7-day VRR auction. It is trading lower at 7.19% today.

**Fig 3 – Bond 10Y yield**

	27-12-2023	28-12-2023	change in bps
US	3.79	3.84	5
UK	3.44	3.49	6
Germany	1.90	1.94	5
Japan	0.61	0.60	(2)
China	2.57	2.57	1
India	7.21	7.21	0

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	27-12-2023	28-12-2023	change in bps
Tbill-91 days	6.92	6.94	2
Tbill-182 days	7.14	7.11	(3)
Tbill-364 days	7.11	7.10	(1)
G-Sec 2Y	7.08	7.10	2
India OIS-2M	6.79	6.79	0
India OIS-9M	6.68	6.68	0
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.35	5.39	4

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	27-12-2023	28-12-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	2.6	2.6	0
Reverse repo	0	0	0
Repo	1.8	1.8	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	26-12-2023	27-12-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(52.9)	458.4	511.3
Debt	(117.5)	74.0	191.5
Equity	64.6	384.4	319.8
Mutual funds (Rs cr)	1,346.8	(475.9)	(1,822.7)
Debt	(1,071.4)	(1,698.7)	(627.2)
Equity	2,418.3	1,222.8	(1,195.5)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual fund data as of 22 Dec 2023 and 26 Dec 2023

- Oil prices moderated amidst easing supply related disruption in the Red Sea.

**Fig 7 – Commodities**

	27-12-2023	28-12-2023	% change
Brent crude (US\$/bbl)	79.7	78.4	(1.6)
Gold (US\$/ Troy Ounce)	2,077.5	2,065.6	(0.6)
Copper (US\$/ MT)	8,589.0	8,530.3	(0.7)
Zinc (US\$/MT)	2,625.3	2,626.3	0
Aluminium (US\$/MT)	2,387.0	2,378.0	(0.4)

Source: Bloomberg, Bank of Baroda Research



## Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at



For further details about this publication, please contact:

**Chief Economist**

Bank of Baroda

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