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ECONOMIST
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Markets cheered US Fed decision on holding rates. US 10Y yield fell sharply by 20bps, while US stocks inched up. US money market is already pricing that Fed has neared its end of the rate hike cycle. However, Fed Chair's repeated hinting of resilient domestic macros and labour market conditions keeps the door unhinged. The recent employment data also showed a fuzzy picture with ADP employment change showed some softening and JOLTS data on the other hand, showed more than expected job openings in Oct'23. Elsewhere in Japan, government announced economic stimulus package to provide growth the desired impetus. On domestic front, CMIE data showed that India's unemployment rate rose to its highest level in 2 years.

- Except Hong Kong and India, stock markets closed higher. Investors monitored the Fed statement to assess future trajectory of rates. Nikkei advanced the most, led by gains in gas & water and electrical stocks. US stocks too ended in green with S&P 500 advancing by 1.1%. However, Sensex declined by 0.4% as India's manufacturing PMI dipped in Oct'23. Metal and power stocks fell the most. However, it is trading higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	31-10-2023	1-11-2023	% change
Dow Jones	33,053	33,275	0.7
S & P 500	4,194	4,238	1.1
FTSE	7,322	7,342	0.3
Nikkei	30,859	31,602	2.4
Hang Seng	17,112	17,102	(0.1)
Shanghai Comp	3,019	3,023	0.1
Sensex	63,875	63,591	(0.4)
Nifty	19,080	18,989	(0.5)

Source: Bloomberg, Bank of Baroda Research

- Except JPY, other global currencies traded in tight ranges after the FOMC statement. DXY rose by 0.2% tracking comments from Fed Chair amidst weak macro data (ISM manufacturing PMI and private payrolls). JPY recovered and appreciated by 0.5%. INR continued to trade in a narrow range, but is trading stronger today. Other Asian currencies are also trading higher.

Fig 2 – Currencies

	31-10-2023	1-11-2023	% change
EUR/USD (1 EUR / USD)	1.0575	1.0570	0
GBP/USD (1 GBP / USD)	1.2153	1.2152	0
USD/JPY (JPY / 1 USD)	151.68	150.95	0.5
USD/INR (INR / 1 USD)	83.26	83.29	0
USD/CNY (CNY / 1 USD)	7.3164	7.3160	0

Source: Bloomberg, Bank of Baroda Research



- US 10Y yield fell at the sharpest pace by 20bps taking cues from Fed policy. This was also supported by reports of US Treasury's plans to slow the pace of increases in long term debt sales. Germany's 10Y yield fell by 4bps tracking softening inflation print in the Eurozone. India's 10Y yield closed stable. It is trading at 7.33% today.

Fig 3 – Bond 10Y yield

	31-10-2023	1-11-2023	change in bps
US	4.93	4.73	(20)
UK	4.51	4.50	(1)
Germany	2.81	2.76	(4)
Japan	0.95	0.96	1
China	2.69	2.69	0
India	7.36	7.36	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	31-10-2023	1-11-2023	change in bps
Tbill-91 days	6.89	6.92	3
Tbill-182 days	7.08	7.13	5
Tbill-364 days	7.14	7.15	1
G-Sec 2Y	7.33	7.34	1
India OIS-2M	6.80	6.80	0
India OIS-9M	6.91	6.91	0
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.31	5.35	4

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	31-10-2023	1-11-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.1	0.5	(0.6)
Reverse repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	30-10-2023	31-10-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(195.9)	43.9	239.8
Debt	8.0	95.9	88.0
Equity	(203.8)	(52.0)	151.8
Mutual funds (Rs cr)	(1,406.4)	(1,448.9)	(42.5)
Debt	(1,754.9)	(2,405.3)	(650.5)
Equity	348.4	956.4	608.0

Source: Bloomberg, Bank of Baroda Research | Note: Mutual fund data as of 17 Oct 2023 and 18 Oct 2023

- Oil prices fell by 3.2% amidst an increase in US crude stocks and dollar.

Fig 7 – Commodities

	31-10-2023	1-11-2023	% change
Brent crude (US\$/bbl)	87.4	84.6	(3.2)
Gold (US\$/ Troy Ounce)	1,983.9	1,982.5	(0.1)
Copper (US\$/ MT)	8,029.0	8,030.0	0
Zinc (US\$/MT)	2,418.2	2,490.0	3.0
Aluminium (US\$/MT)	2,251.5	2,236.5	(0.7)

Source: Bloomberg, Bank of Baroda Research



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