

MORNING MOCHA

30 October 2023

ECONOMIST

Aditi Gupta

US core PCE index, Fed's preferred gauge of inflation, moderated to 3.7% in Sep'23, from 3.8% in Aug'23. Separately, University of Michigan's consumer expectation index fell to 63 in Oct'23 from 67.9 in Sep'23. Inflation expectations for the next 1-year as well as 5-10 years, inched up. The data will be important when the Fed meets this week. Apart from Fed, policy decisions of BoJ and BoE are also due this week. While the BoJ grapples with a depreciating currency and soaring yields, the dilemma for BoE will be to tame inflation which is still running hot. Apart from this, focus will also remain on developments in the Middle-East and corporate earnings results. On the data front, China's PMI, UK GDP, US consumer confidence index and global PMI's will be keenly awaited.

- Barring US and UK, other major global indices ended higher. Disappointing earnings results weighed on markets in US, with Dow Jones falling by 1.1%. Stocks in Asia rebounded amidst a recovery in technology shares. Hang Seng rose the most by 2.1%, followed by Nikkei which surged 1%. Sensex rose by 1% led by gains in power and real estate stocks. However, it is trading lower today in line with other Asian stocks.

Fig 1 – Stock markets

	26-10-2023	27-10-2023	% change
Dow Jones	32,784	32,418	(1.1)
S & P 500	4,137	4,117	(0.5)
FTSE	7,355	7,291	(0.9)
Nikkei	30,602	30,992	1.3
Hang Seng	17,045	17,399	2.1
Shanghai Comp	2,988	3,018	1.0
Sensex	63,148	63,783	1.0
Nifty	18,857	19,047	1.0

Source: Bloomberg, Bank of Baroda Research

- DXY edged a tad lower after data showed US core PCE index moderated in line with market expectations. Markets now await major central bank policy decisions. JPY appreciated by 0.5% ahead of BoJ meet. INR ended a tad weaker weighed down by higher oil prices. It opened flat today, while other Asian currencies are trading higher.

Fig 2 – Currencies

	26-10-2023	27-10-2023	% change
EUR/USD (1 EUR / USD)	1.0563	1.0565	0
GBP/USD (1 GBP / USD)	1.2129	1.2122	(0.1)
USD/JPY (JPY / 1 USD)	150.40	149.66	0.5
USD/INR (INR / 1 USD)	83.23	83.25	0
USD/CNY (CNY / 1 USD)	7.3168	7.3174	0

Source: Bloomberg, Bank of Baroda Research



- Except Japan and China, other global yields edged lower as investors brace for key central bank policy decisions. 10Y yield in UK fell the most by 5bps, followed by Germany. US 10Y yield fell by 1bps as US core PCE index moderated, suggesting that Fed is unlikely to hike rates again. India's 10Y yield fell by 1bps despite higher oil prices. It is trading flat today.

Fig 3 – Bond 10Y yield

	26-10-2023	27-10-2023	change in bps
US	4.84	4.83	(1)
UK	4.60	4.54	(5)
Germany	2.86	2.83	(3)
Japan	0.88	0.88	1
China	2.72	2.72	0
India	7.37	7.36	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	26-10-2023	27-10-2023	change in bps
Tbill-91 days	6.91	6.89	(2)
Tbill-182 days	7.12	7.05	(7)
Tbill-364 days	7.15	7.15	0
G-Sec 2Y	7.32	7.29	(2)
India OIS-2M	6.81	6.80	(1)
India OIS-9M	6.95	6.93	(2)
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.30	5.31	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	26-10-2023	27-10-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.9	0.9	0
Reverse repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	25-10-2023	26-10-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	33.7	(487.0)	(520.7)
Debt	(15.6)	(2.9)	12.6
Equity	49.3	(484.1)	(533.4)
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 inched up by 2.9% amidst simmering tensions in the Middle-East.

Fig 7 – Commodities

	26-10-2023	27-10-2023	% change
Brent crude (US\$/bbl)	87.9	90.5	2.9
Gold (US\$/ Troy Ounce)	1,984.7	2,006.4	1.1
Copper (US\$/ MT)	7,911.0	8,030.0	1.5
Zinc (US\$/MT)	2,426.3	2,462.8	1.5
Aluminium (US\$/MT)	2,197.5	2,220.0	1.0

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