

MORNING MOCHA

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ECONOMIST
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Global macro data posed concerns of a slower pace of growth. J.P. Morgan Global Manufacturing PMI fell to its lowest in three months. As per the report, Europe remained the primary drag on global factory output. China's Caixin services PMI also came in below expectations at 50.4 (est.: 51). In the US, jobless claims print was more than expected at 217K (est.: 210k), indicating some softening and supporting the outlook of a prolonged pause by Fed. CME Fed watch tool is now pricing in a less than 20% probability of hike in Dec which was more than 39% a month earlier. All eyes will be on the payroll numbers due to be released later today. BoE in its latest policy held rates with a vote of 6-3 and hinted at a sufficiently restrictive policy in the near term. On domestic front, weekly auction will hold some cue on yield.

- Except Shanghai Comp, other global stocks edged higher. Expectations that the Fed rate has peaked helped buoy investor sentiments even as global manufacturing PMI signalled a dim outlook. Stocks in US led the gains, with energy and real estate stocks advancing the most. Sensex too rose by 0.8%, with real estate and metal stocks gaining the most. It is trading further higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	1-11-2023	2-11-2023	% change
Dow Jones	33,275	33,839	1.7
S & P 500	4,238	4,318	1.9
FTSE	7,342	7,447	1.4
Nikkei	31,602	31,950	1.1
Hang Seng	17,102	17,231	0.8
Shanghai Comp	3,023	3,009	(0.5)
Sensex	63,591	64,081	0.8
Nifty	18,989	19,133	0.8

Source: Bloomberg, Bank of Baroda Research

- Global currencies broadly appreciated as the dollar strength waned. DXY fell by 0.7% as investors pared back expectations of more rate hikes by Fed. GBP appreciated by 0.4% as BoE reiterated the need to keep rates elevated. INR recovered from its record-low amidst improvement in risk sentiment. It is trading flat today, while other Asian currencies are trading mostly higher.

Fig 2 – Currencies

	1-11-2023	2-11-2023	% change
EUR/USD (1 EUR / USD)	1.0570	1.0622	0.5
GBP/USD (1 GBP / USD)	1.2152	1.2203	0.4
USD/JPY (JPY / 1 USD)	150.95	150.45	0.3
USD/INR (INR / 1 USD)	83.29	83.25	0
USD/CNY (CNY / 1 USD)	7.3160	7.3143	0

Source: Bloomberg, Bank of Baroda Research



- UK, US and Germany's yield fell at a sharp pace. UK's 10Y yield got support from BoE's forecast of a stagnant growth through 2025. US 10Y yield got comfort from a higher than expected jobless claims data. ECB Board member's comments that inflation is on track also supported yield in Germany. India's 10Y yield fell by 4bps. It is trading at 7.32%.

Fig 3 – Bond 10Y yield

	1-11-2023	2-11-2023	change in bps
US	4.73	4.66	(8)
UK	4.50	4.38	(12)
Germany	2.76	2.72	(5)
Japan	0.96	0.93	(3)
China	2.69	2.66	(3)
India	7.36	7.32	(4)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	1-11-2023	2-11-2023	change in bps
Tbill-91 days	6.92	6.91	(1)
Tbill-182 days	7.13	7.07	(6)
Tbill-364 days	7.15	7.13	(2)
G-Sec 2Y	7.34	7.29	(5)
India OIS-2M	6.80	6.80	0
India OIS-9M	6.91	6.89	(2)
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.35	5.32	(3)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	1-11-2023	2-11-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.5	0.2	(0.3)
Reverse repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	31-10-2023	1-11-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	43.9	(204.4)	(248.3)
Debt	95.9	10.7	(85.3)
Equity	(52.0)	(215.0)	(163.0)
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 rose by 2.6% amidst optimism that global rates may have peaked.

Fig 7 – Commodities

	1-11-2023	2-11-2023	% change
Brent crude (US\$/bbl)	84.6	86.9	2.6
Gold (US\$/ Troy Ounce)	1,982.5	1,985.8	0.2
Copper (US\$/ MT)	8,030.0	8,064.0	0.4
Zinc (US\$/MT)	2,490.0	2,466.2	(1.0)
Aluminium (US\$/MT)	2,236.5	2,227.5	(0.4)

Source: Bloomberg, Bank of Baroda Research



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