

MORNING MOCHA

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ECONOMIST
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Global markets continued to get support from Fed's dovish policy and expectation of a monetary policy normalisation in the coming year. Dollar index hovered at its lowest since Jul'23, sharp correction in US 10Y yield still continued. However, gains in the equity market was pared amidst expectation of further volatility. Elsewhere, ECB and BoE both hinted at sufficiently restrictive policy, going ahead. Now the question remains who will be ahead and behind the curve of easing monetary conditions, based on the evolving growth-inflation dynamics. On macro front, US retail sales inched up with 8 out of 13 categories showing increase in Nov'23. In China, while industrial production picked pace, retail sales and fixed assets underperformed. On domestic front, 10Y yield reacted to sharp fall in US yield.

- Except Nikkei and Shanghai Comp, other global indices advanced further. Stocks in US edged up following Fed's dovish stance. Positive macro data (retail sales and jobless claims) also boosted investors' sentiments. Stocks in UK and India surged the most. Sensex rose by 1.3% to a fresh record high. Real estate and technology stocks led the rally. It is trading further higher today, in line with other Asian markets.

Fig 1 – Stock markets

	13-12-2023	14-12-2023	% change
Dow Jones	37,090	37,248	0.4
S & P 500	4,707	4,720	0.3
FTSE	7,548	7,649	1.3
Nikkei	32,926	32,686	(0.7)
Hang Seng	16,229	16,402	1.1
Shanghai Comp	2,969	2,959	(0.3)
Sensex	69,585	70,514	1.3
Nifty	20,926	21,183	1.2

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended stronger against the dollar. DXY fell by 0.9% amidst expectations of rate cuts by Fed next year. On the other hand, both EUR and GBP gained as ECB and BOE reiterated the need to keep interest rates at high levels for a prolonged period. INR appreciated by 0.1%, led by positive global cues. It is trading further stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	13-12-2023	14-12-2023	% change
EUR/USD (1 EUR / USD)	1.0874	1.0993	1.1
GBP/USD (1 GBP / USD)	1.2618	1.2767	1.2
USD/JPY (JPY / 1 USD)	142.89	141.89	0.7
USD/INR (INR / 1 USD)	83.40	83.33	0.1
USD/CNY (CNY / 1 USD)	7.1708	7.1119	0.8

Source: Bloomberg, Bank of Baroda Research



- Except China (tad higher), global yields closed lower. US 10Y yield continued to fall and dropped by 10bps in the current session. This was reflected in direction of yields of other economies as well. The correction in global yields will continue as markets have priced in faster pace of normalisation in monetary policy. India's 10Y fell by 6bps. It is trading lower at 7.19% today.

Fig 3 – Bond 10Y yield

	13-12-2023	14-12-2023	change in bps
US	4.02	3.92	(10)
UK	3.83	3.79	(4)
Germany	2.17	2.12	(5)
Japan	0.69	0.67	(2)
China	2.65	2.65	1
India	7.26	7.20	(6)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	13-12-2023	14-12-2023	change in bps
Tbill-91 days	6.97	6.94	(3)
Tbill-182 days	7.18	7.15	(3)
Tbill-364 days	7.18	7.14	(4)
G-Sec 2Y	7.19	7.11	(8)
India OIS-2M	6.86	6.80	(6)
India OIS-9M	6.84	6.75	(9)
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.31	5.31	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	13-12-2023	14-12-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.4	0.4	0
Reverse repo	0.2	0.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	12-12-2023	13-12-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	385.0	609.1	224.2
Debt	74.6	(26.4)	(101.0)
Equity	310.4	635.6	325.2
Mutual funds (Rs cr)	(1,026.8)	(3,136.3)	(2,109.6)
Debt	(351.8)	(4,520.0)	(4,168.2)
Equity	(675.0)	1,383.7	2,058.7

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 11 Dec and 12 Dec 2023

- Oil prices surged by 3.2% as IEA raised its oil demand forecast for 2024.

Fig 7 – Commodities

	13-12-2023	14-12-2023	% change
Brent crude (US\$/bbl)	74.3	76.6	3.2
Gold (US\$/ Troy Ounce)	2,027.7	2,036.4	0.4
Copper (US\$/ MT)	8,237.4	8,460.5	2.7
Zinc (US\$/MT)	2,423.3	2,497.5	3.1
Aluminium (US\$/MT)	2,140.0	2,210.0	3.3

Source: Bloomberg, Bank of Baroda Research



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