

MORNING MOCHA

29 August 2023

ECONOMIST
Sonal Badhan

Market participants await more cues from US macro data to gauge Fed's future rate actions. US personal consumption expenditure price index and non-farm job additions data are due this week. Investors have assigned 62% probability for rate hike in Nov'23. In Europe, growing economic pains (stagnation in Germany and faltering PMIs) are putting pressure on ECB to pause earlier than anticipated. Further, weakness in global economic activity is likely to continue as China's industrial profits data showed that profits fell by another (-) 6.7% in Jul'23 following (-) 8.3% dip in Jun'23, largely owing to steady decline in commodity prices.

- Global indices ended higher as investors await key releases (US PCE and jobs data) that will offer guidance on Fed's rate trajectory. US indices advanced, led by gains in tech stocks. Nikkei surged the most, followed by Shanghai Comp. Sensex too traded in green, led by cap goods and real estate stocks. It is trading higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	25-08-2023	28-08-2023	% change
Dow Jones	34,347	34,560	0.6
S & P 500	4,406	4,433	0.6
FTSE	7,334	7,339	0.1
Nikkei	31,624	32,170	1.7
Hang Seng	17,956	18,131	1.0
Shanghai Comp	3,064	3,099	1.1
Sensex	64,887	64,997	0.2
Nifty	19,266	19,306	0.2

Source: Bloomberg, Bank of Baroda Research | Note: Markets in UK were closed on 28.08.2023

- Global currencies ended mixed against the dollar. DXY is up by more than 2% this month over expectations of rates remaining high for a longer period (62% chance of hike in Nov'23 from 42% earlier) and was also supported by Fed's hawkish commentary. INR is trading stronger today while other Asian currencies are trading mixed.

Fig 2 – Currencies

	25-08-2023	28-08-2023	% change
EUR/USD (1 EUR / USD)	1.0796	1.0819	0.2
GBP/USD (1 GBP / USD)	1.2578	1.2602	0.2
USD/JPY (JPY / 1 USD)	146.44	146.54	(0.1)
USD/INR (INR / 1 USD)	82.66	82.63	0
USD/CNY (CNY / 1 USD)	7.2872	7.2889	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in UK were closed on 28.08.2023

- Global yields closed mixed. While 10Y yield in US fell, they were flat in Germany and Japan. Investors await key data releases due this week- US PCE price index, and non-farm payrolls, for cues on Fed's future rate action. India's 10Y



yield was down by 2bps as oil prices eased. It is trading further lower today at 7.16%.

Fig 3 – Bond 10Y yield

	25-08-2023	28-08-2023	change in bps
US	4.24	4.20	(3)
UK	4.43	4.44	1
Germany	2.56	2.56	0
Japan	0.66	0.66	0
China	2.57	2.59	2
India	7.20	7.18	(2)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in UK were closed on 28.08.2023

Fig 4 – Short term rates

	25-08-2023	28-08-2023	change in bps
Tbill-91 days	6.81	6.76	(5)
Tbill-182 days	7.01	7.00	(1)
Tbill-364 days	7.02	7.02	0
G-Sec 2Y	7.11	7.10	(2)
India OIS-2M	6.78	6.77	(1)
India OIS-9M	6.98	6.96	(2)
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.30	5.30	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in UK were closed on 28.08.2023

Fig 5 – Liquidity

Rs tn	25-08-2023	28-08-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.1)	(0.3)	(0.2)
Reverse repo	0	0.2	0.2
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	24-08-2023	25-08-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	237.6	(186.7)	(424.3)
Debt	(29.7)	19.7	49.4
Equity	267.2	(206.5)	(473.7)
Mutual funds (Rs cr)	60.9	410.1	349.3
Debt	(900.6)	(31.0)	869.6
Equity	961.4	441.1	(520.3)

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 22nd and 23rd Aug

- Global crude oil prices slipped by 0.1% amidst demand concerns around possible US interest rate hikes.

Fig 7 – Commodities

	25-08-2023	28-08-2023	% change
Brent crude (US\$/bbl)	84.5	84.4	(0.1)
Gold (US\$/ Troy Ounce)	1,915.0	1,920.2	0.3
Copper (US\$/ MT)	8,326.5	8,319.3	(0.1)
Zinc (US\$/MT)	2,377.8	2,371.0	(0.3)
Aluminium (US\$/MT)	2,157.5	2,150.5	(0.3)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in UK were closed on 28.08.2023



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

+91 22 6698 5143

chief.economist@bankofbaroda.com