

MORNING MOCHA

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ECONOMIST

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In China, as an encouraging sign towards economic recovery, deflationary pressure eased after CPI returned back in to the positive territory (+0.1% vs -0.3% in Jul'23). Likelihood of more policy side reforms is expected to boost demand further and aid in recovery. Separately, US benchmark yield rates continued to edge higher, which might add pressure to equity indices. Amidst tightening of supplies, crude oil prices climbed up. For the ongoing week, investors will closely track industrial output and inflation data scheduled to release in India, along with retail sales, industrial output as well house price data from China. Additionally investors will also monitor US CPI print which might offer some guidance on future course of rate action. Fed is expected to hold rates in Sep'23 meet while there is a likelihood of (44% chance) a rate hike in Nov'23 meet.

- Most of the global indices ended higher despite uncertainty looming over inflationary outlook. US indices eked out gains ahead of the CPI release. Nikkei ended in red after lower than expected GDP data for Q2CY24. On the other hand, Sensex closed higher led by gains in realty and power stocks. It is trading further higher today, while other Asian stocks are trading lower.

Fig 1 – Stock markets

	7-09-2023	8-09-2023	% change
Dow Jones	34,501	34,577	0.2
S & P 500	4,451	4,457	0.1
FTSE	7,442	7,478	0.5
Nikkei	32,991	32,607	(1.2)
Hang Seng	18,450	18,202	(1.3)
Shanghai Comp	3,122	3,117	(0.2)
Sensex	66,266	66,599	0.5
Nifty	19,727	19,820	0.5

Source: Bloomberg, Bank of Baroda Research Note: Hong Market was shut on 8.9.23

- European currencies ended flat, while other global currencies ended mixed. DXY too ended flat as investors await US inflation data. JPY fell the most, however it is trading higher today as investors are hopeful of BoJ moving away from negative rate regime. INR was up by 0.3%, even as oil prices inched up. It is trading flat today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	7-09-2023	8-09-2023	% change
EUR/USD (1 EUR / USD)	1.0696	1.0700	0.0
GBP/USD (1 GBP / USD)	1.2472	1.2468	(0.0)
USD/JPY (JPY / 1 USD)	147.30	147.83	(0.4)
USD/INR (INR / 1 USD)	83.21	82.95	0.3
USD/CNY (CNY / 1 USD)	7.3291	7.3439	(0.2)

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. While 10Y yield in the US inched up, it fell in the UK and was flat in Germany. Slight increase in US yields comes ahead of inflation data due this week, and robust macro prints from last week (jobless claims and sticky core PCE data). India's 10Y yield also increased (+3bps), following global cues. It is trading just a tad higher at 7.22% today.

Fig 3 – Bond 10Y yield

	7-09-2023	8-09-2023	change in bps
US	4.24	4.26	2
UK	4.45	4.42	(3)
Germany	2.61	2.61	0
Japan	0.66	0.66	0
China	2.67	2.67	0
India	7.18	7.21	3

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	7-09-2023	8-09-2023	change in bps
Tbill-91 days	6.80	6.85	5
Tbill-182 days	7.00	7.00	0
Tbill-364 days	7.00	6.98	(2)
G-Sec 2Y	7.13	7.12	(1)
India OIS-2M	6.76	6.79	3
India OIS-9M	6.98	7.01	3
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	7-09-2023	8-09-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.8)	(0.8)	0
Reverse repo	0.2	0	(0.2)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	6-09-2023	7-09-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(319.9)	(37.4)	282.5
Debt	21.0	49.0	28.0
Equity	(340.9)	(86.5)	254.5
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

- Oil prices rose by 0.8% amidst concerns of tighter supply.

Fig 7 – Commodities

	7-09-2023	8-09-2023	% change
Brent crude (US\$/bbl)	89.9	90.7	0.8
Gold (US\$/ Troy Ounce)	1,919.7	1,919.1	(0.0)
Copper (US\$/ MT)	8,309.3	8,229.0	(1.0)
Zinc (US\$/MT)	2,459.1	2,420.9	(1.6)
Aluminium (US\$/MT)	2,196.0	2,183.5	(0.6)

Source: Bloomberg, Bank of Baroda Research



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