

MORNING MOCHA

18 September 2023

ECONOMIST

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US industrial production moderated to 0.4% in Aug'23 (est. 0.1%) from 0.7% in Jul'23. Preliminary reading of consumer sentiment index too weakened to 67.7 in Sep'23 from 69.5 in Aug'23. Inflation expectations of consumers for both long-term and short-term also eased markedly in Sep'23. The data has bolstered views that the Fed is likely to leave interest rates unchanged when it meets next week. However, markets will await for cues from the Fed's dot plot to assess the future course of rates. Apart from Fed, central bank meetings in UK and Japan will also be closely watched. Central Bank decisions in EM countries such as Brazil, Taiwan, Indonesia etc, are also due this week. In India, investors will continue to monitor the growing risks to inflation from erratic rainfall and higher oil prices.

- Global indices ended mixed. Investors remained cautious ahead of the Fed policy decision. There is expectation that another rate hike may be reflected in the dot plot for this year. S&P 500 and Dow Jones fell the most. Asian stocks such as Nikkei and Hang Seng inched up tracking upbeat data of China. Sensex rose by 0.5% led by auto and technology stocks. However, it is trading lower today, while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	14-09-2023	15-09-2023	% change
Dow Jones	34,907	34,618	(0.8)
S & P 500	4,505	4,450	(1.2)
FTSE	7,673	7,711	0.5
Nikkei	33,168	33,533	1.1
Hang Seng	18,048	18,183	0.7
Shanghai Comp	3,127	3,118	(0.3)
Sensex	67,519	67,839	0.5
Nifty	20,103	20,192	0.4

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed against the dollar. DXY fell by 0.1% as University of Michigan's preliminary consumer sentiment index moderated in Sep'23. JPY depreciated to a near 10-month low. INR too depreciated to a fresh record-low amidst higher oil prices. However, it is trading stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	14-09-2023	15-09-2023	% change
EUR/USD (1 EUR / USD)	1.0643	1.0657	0.1
GBP/USD (1 GBP / USD)	1.2409	1.2383	(0.2)
USD/JPY (JPY / 1 USD)	147.47	147.85	(0.3)
USD/INR (INR / 1 USD)	83.04	83.18	(0.2)
USD/CNY (CNY / 1 USD)	7.2789	7.2758	0

Source: Bloomberg, Bank of Baroda Research



- Except Japan (stable), global yields closed higher. Germany and UK's 10Y yield rose the most by 8bps each. In UK, BOE's inflation expectation survey for next 12-months inched up, which impacted its yields. US 10Y yield also rose by 5bps ahead of Fed's policy decision. India's 10Y yield rose by 7bps tracking auction results. It is trading flat today.

Fig 3 – Bond 10Y yield

	14-09-2023	15-09-2023	change in bps
US	4.29	4.33	5
UK	4.28	4.36	8
Germany	2.59	2.68	8
Japan	0.72	0.72	0
China	2.63	2.67	3
India	7.13	7.20	7

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	14-09-2023	15-09-2023	change in bps
Tbill-91 days	6.82	6.82	0
Tbill-182 days	7.02	7.02	0
Tbill-364 days	7.05	7.04	(1)
G-Sec 2Y	7.13	7.14	1
India OIS-2M	6.82	6.82	0
India OIS-9M	6.99	7.03	4
SONIA int rate benchmark	5.19	5.18	0
US SOFR	5.30	5.30	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	14-09-2023	15-09-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0	0.5	0.5
Reverse repo	0.2	0.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	13-09-2023	14-09-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(160.5)	139.5	300.1
Debt	115.9	56.5	(59.4)
Equity	(276.4)	83.0	359.4
Mutual funds (Rs cr)	169.0	1,459.8	1,290.7
Debt	(471.2)	1,115.4	1,586.6
Equity	640.3	344.4	(295.9)

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

- Oil prices rose amidst hopes of demand revival led by positive data from China.

Fig 7 – Commodities

	14-09-2023	15-09-2023	% change
Brent crude (US\$/bbl)	93.7	93.9	0.2
Gold (US\$/ Troy Ounce)	1,910.8	1,923.9	0.7
Copper (US\$/ MT)	8,372.3	8,350.4	(0.3)
Zinc (US\$/MT)	2,542.0	2,490.1	(2.0)
Aluminium (US\$/MT)	2,224.5	2,190.0	(1.6)

Source: Bloomberg, Bank of Baroda Research



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