

MORNING MOCHA

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ECONOMIST
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Global markets continued to monitor the evolving dynamics in the Middle East as the war continued for the 11th day. Elsewhere, global central banks continue to grapple with inflation and growth concerns. While Philadelphia Fed President reiterated his stance to keep rates steady, BoE's Chief Economist cautioned against declaring victory against inflation prematurely. Minutes of Reserve Bank of Australia's Oct'23 meeting indicated that MPC members considered raising rates by another 25bps, but decided against it due to lack of new information. This leaves room open for another rate hike. In India, WPI inflation declined at a slower pace of 0.3% in Sep'23, after dipping by 0.5% in Aug'23. INR slipped to a fresh record-low as investor sentiment remained jittery due to possibility of higher oil prices amidst continued hostilities in the Middle East.

- Global stocks closed mixed tracking Middle East diplomacy efforts. Stocks in the US got support from reports of US President visiting Israel to signal solidarity. On the other hand, Asian stocks ended lower tracking stress in China's property market. Sensex fell by 0.2%, amidst fall in real estate and technology stocks. It is trading higher today, in line with other Asian markets.

Fig 1 – Stock markets

	13-10-2023	16-10-2023	% change
Dow Jones	33,670	33,985	0.9
S & P 500	4,328	4,374	1.1
FTSE	7,600	7,631	0.4
Nikkei	32,316	31,659	(2.0)
Hang Seng	17,813	17,640	(1.0)
Shanghai Comp	3,088	3,074	(0.5)
Sensex	66,283	66,167	(0.2)
Nifty	19,751	19,732	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY fell by 0.4% as Fed officials spoke in favour of keeping rates steady. Investors await Fed Chair's speech. GBP gained 0.6% after comments from BoE's Chief Economist. INR depreciated by 2paise to close at a historic low. However it is trading stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	13-10-2023	16-10-2023	% change
EUR/USD (1 EUR / USD)	1.0510	1.0560	0.5
GBP/USD (1 GBP / USD)	1.2143	1.2217	0.6
USD/JPY (JPY / 1 USD)	149.57	149.51	0
USD/INR (INR / 1 USD)	83.26	83.28	0
USD/CNY (CNY / 1 USD)	7.3050	7.3110	(0.1)

Source: Bloomberg, Bank of Baroda Research



- Except Japan and China (stable), global yields closed higher. Risk appetite of the market improved ahead of news of US President's visit to Israel. 10Y yields in US and UK rose by 9bps each. BoE's Chief Economist signalled that more work needs to be done on inflation. India's 10Y yield rose by 2bps, taking global cues. It is trading at 7.32% today.

Fig 3 – Bond 10Y yield

	13-10-2023	16-10-2023	change in bps
US	4.61	4.71	9
UK	4.39	4.48	9
Germany	2.74	2.79	5
Japan	0.76	0.76	0
China	2.68	2.68	0
India	7.32	7.33	2

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	13-10-2023	16-10-2023	change in bps
Tbill-91 days	6.87	6.87	0
Tbill-182 days	7.00	7.04	4
Tbill-364 days	7.11	7.12	1
G-Sec 2Y	7.24	7.29	5
India OIS-2M	6.81	6.82	1
India OIS-9M	6.93	6.94	1
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	13-10-2023	16-10-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.3	0.1	(0.2)
Reverse repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	12-10-2023	13-10-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(105.6)	133.2	238.8
Debt	104.4	87.4	(17.1)
Equity	(210.0)	45.8	255.8
Mutual funds (Rs cr)	1,644.7	1,486.3	(158.4)
Debt	(750.3)	274.7	1,025.0
Equity	2,395.0	1,211.6	(1,183.4)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual fund data as of 9 Oct 2023 and 11 Oct 2023

- Oil prices fell amidst reports of easing sanctions on Venezuela.

Fig 7 – Commodities

	13-10-2023	16-10-2023	% change
Brent crude (US\$/bbl)	90.9	89.7	(1.4)
Gold (US\$/ Troy Ounce)	1,932.8	1,920.2	(0.7)
Copper (US\$/ MT)	7,875.8	7,915.5	0.5
Zinc (US\$/MT)	2,422.8	2,423.5	0
Aluminium (US\$/MT)	2,199.5	2,180.5	(0.9)

Source: Bloomberg, Bank of Baroda Research



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