

## MORNING MOCHA

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US yield soared sharply inching closer once gain to the 16-year peak of 5%. This comes in the wake of better than expected US home sales, climbing to 19-month high (12.3% in Sep'23) as median house prices have fallen. The focus will now shift towards the release of US GDP and PCE which might offer further guidance on Fed's next move. Separately, South Korea's economy expanded at a much faster pace than expected (est:0.5%) at 0.6% for Q3CY23. With this, the attention will turn towards BoK's rate decision. On the other hand, Bank of Canada kept the interest rate (5%) on hold with the possibility of two more rate hikes given the risk of price rise and inflation remaining above the target level in the coming 2-years.

- Global indices ended mixed. US indices ended lower as investors monitored disappointing earnings report. Sensex too ended in red and was dragged down by losses in IT and capital good stocks. It opened lower today in line with other Asian stocks. A broad based sell-off was seen in Asian indices with South Korea, Japan and Australia, all trading in red. The ASX index (Australia) has hit the lowest level since last Oct'22 amidst the news of inflation rising more than anticipated and likelihood of interest rate hike in the next meet.

**Fig 1 – Stock markets**

	24-10-2023	25-10-2023	% change
Dow Jones	33,141	33,036	(0.3)
S & P 500	4,248	4,187	(1.4)
FTSE	7,390	7,414	0.3
Nikkei	31,062	31,270	0.7
Hang Seng	16,992	17,085	0.6
Shanghai Comp	2,962	2,974	0.4
Sensex	64,572	64,049	(0.8)
Nifty	19,282	19,122	(0.8)

Source: Bloomberg, Bank of Baroda Research | Note: Indian markets were closed on 24.10.23

- Except INR (flat), other global currencies depreciated. DXY rose by 0.2% amidst a spike in US 10Y yield. Despite a sharp pickup in Germany's business climate index, EUR fell by 0.2%. JPY breached the 150/\$ mark. INR is trading weaker today, in line with other Asian currencies.

**Fig 2 – Currencies**

	24-10-2023	25-10-2023	% change
EUR/USD (1 EUR / USD)	1.0590	1.0566	(0.2)
GBP/USD (1 GBP / USD)	1.2160	1.2112	(0.4)
USD/JPY (JPY / 1 USD)	149.91	150.23	(0.2)
USD/INR (INR / 1 USD)	83.19	83.19	0
USD/CNY (CNY / 1 USD)	7.3111	7.3172	(0.1)

Source: Bloomberg, Bank of Baroda Research | Note: Indian markets were closed on 24.10.23



- Except India and China (lower), other bond yields ended higher. US 10Y yield increased by 13bps, inching closer to the 5% mark after US new home sales rose solidly in Sep'23. This reinforces view of higher for longer rates in the US. 10Y yields in UK and Germany inched up by 7bps and 6bps respectively. India's 10Y yield fell by 4bps. However, it is trading higher at 7.36% today.

**Fig 3 – Bond 10Y yield**

	24-10-2023	25-10-2023	change in bps
US	4.82	4.95	13
UK	4.54	4.61	7
Germany	2.83	2.89	6
Japan	0.85	0.86	1
China	2.72	2.71	(1)
India	7.38	7.34	(4)

Source: Bloomberg, Bank of Baroda Research | Note: Indian markets were closed on 24.10.23

**Fig 4 – Short term rates**

	24-10-2023	25-10-2023	change in bps
Tbill-91 days	6.94	6.93	(1)
Tbill-182 days	7.05	7.13	8
Tbill-364 days	7.12	7.15	3
G-Sec 2Y	7.30	7.28	(2)
India OIS-2M	6.83	6.78	(5)
India OIS-9M	6.97	6.96	(1)
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.30	5.30	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	23-10-2023	25-10-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.0	1.1	0.1
Reverse repo	0.1	0.1	0.1
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	20-10-2023	23-10-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	296.2	33.7	(262.5)
Debt	79.7	(15.6)	(95.3)
Equity	216.5	49.3	(167.3)
Mutual funds (Rs cr)	(1,406.4)	(1,448.9)	(42.5)
Debt	(1,754.9)	(2,405.3)	(650.5)
Equity	348.4	956.4	608.0

Source: Bloomberg, Bank of Baroda Research | Note: Mutual fund data as of 17 Oct 2023 and 18 Oct 2023

- Oil prices rose by 2% amidst possibility of escalation in the Middle-East war.

**Fig 7 – Commodities**

	24-10-2023	25-10-2023	% change
Brent crude (US\$/bbl)	88.1	90.1	2.3
Gold (US\$/ Troy Ounce)	1,971.0	1,979.7	0.4
Copper (US\$/ MT)	7,985.0	7,958.5	(0.3)
Zinc (US\$/MT)	2,435.2	2,471.9	1.5
Aluminium (US\$/MT)	2,191.0	2,219.0	1.3

Source: Bloomberg, Bank of Baroda Research



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