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Markets remained broadly cautious refraining from holding any strong positions before a plethora of central bank policy meetings and also awaiting CPI data releases of major economies such as US, Germany and India. In the US, CPI is expected to post a flat reading sequentially, as per estimates. However, some sequential momentum might be observed on core inflation, as the growth picture is still uncertain. New York Fed's 1Yr inflation expectations on the other hand has softened. Elsewhere in UK, property asking prices have fallen beyond usual trends, signalling some correction. In Japan, moderation in price pressure continued as reflected in its PPI reading. On domestic front, any upside surprise to inflation reading might be uncomfortable for markets especially wrt. the direction of yields.

Barring FTSE and Hang Seng, other global stocks edged up. Investors await US CPI data as well as key central bank decisions. Nikkei surged the most by 1.5%, tracking a fall in yen. US stocks ended higher as NY Fed survey indicated a softening in consumers' inflation expectations. Domestic stocks ended 0.1% higher. Real estate and capital goods stocks registered the maximum increase. It is trading higher today, in line with other Asian markets.

Fig 1 - Stock markets

	8-12-2023	11-12-2023	% change
Dow Jones	36,248	36,405	0.4
S & P 500	4,604	4,622	0.4
FTSE	7,554	7,545	(0.1)
Nikkei	32,308	32,792	1.5
Hang Seng	16,334	16,201	(0.8)
Shanghai Comp	2,970	2,991	0.7
Sensex	69,826	69,929	0.1
Nifty	20,969	20,997	0.1

Source: Bloomberg, Bank of Baroda Research

Except JPY, other global currencies traded in thin ranges ahead of key central bank meetings. The Fed, BoE, ECB and BoJ are scheduled to meet this week, but no rate action is expected. News reports quashed the possibility of any possible tweak in BoJ's ultra-loose monetary policy, which weighed on JPY. INR is trading stronger today, in line with other Asian currencies.

Fig 2 - Currencies

_	8-12-2023	11-12-2023	% change
EUR/USD (1 EUR / USD)	1.0763	1.0765	0
GBP/USD (1 GBP / USD)	1.2549	1.2555	0
USD/JPY (JPY / 1 USD)	144.95	146.16	(0.8)
USD/INR (INR / 1 USD)	83.39	83.39	0
USD/CNY (CNY / 1 USD)	7.1702	7.1741	(0.1)

Source: Bloomberg, Bank of Baroda Research

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Global yields closed mixed looking for fresh cues in upcoming policies of major central banks. Only UK's 10Y yield has risen by 4bps amidst reports that some hawkish tone might be hinted in the upcoming policy. China's 10Y yield fell by 2bps amidst expectation of stimulus in the CEWC meeting. India's 10Y yield rose a tad by 1bps and is trading at 7.28% today.

Fig 3 - Bond 10Y yield

	8-12-2023	11-12-2023	change in bps
US	4.23	4.23	1
UK	4.04	4.08	4
Germany	2.28	2.27	(1)
Japan	0.77	0.77	0
China	2.69	2.66	(2)
India	7.27	7.28	1

Source: Bloomberg, Bank of Baroda Research

Fig 4 - Short term rates

	8-12-2023	11-12-2023	change in bps
Tbill-91 days	6.94	6.95	1
Tbill-182 days	7.14	7.15	1
Tbill-364 days	7.13	7.15	2
G-Sec 2Y	7.22	7.22	0
India OIS-2M	6.85	6.86	1
India OIS-9M	6.85	6.87	2
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.32	5.32	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 - Liquidity

Rs tn	8-12-2023	11-12-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.1	0.5	0.4
Reverse repo	0.2	0.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 - Capital market flows

	7-12-2023	8-12-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	68.1	618.1	550.0
Debt	122.6	139.0	16.5
Equity	(54.4)	479.1	533.5
Mutual funds (Rs cr)	302.1	(535.9)	(838.1)
Debt	302.7	(1,813.9)	(2,116.6)
Equity	(0.6)	1,278.0	1,278.6

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 5 Dec and 6 Dec 2023

Oil prices rose amidst higher demand from US for replenishing its SPR.

Fig 7 - Commodities

_	8-12-2023	11-12-2023	% change
Brent crude (US\$/bbl)	75.8	76.0	0.3
Gold (US\$/ Troy Ounce)	2,004.7	1,982.0	(1.1)
Copper (US\$/ MT)	8,366.3	8,249.1	(1.4)
Zinc (US\$/MT)	2,383.8	2,396.3	0.5
Aluminium (US\$/MT)	2,134.0	2,117.0	(0.8)

Source: Bloomberg, Bank of Baroda Research



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