

MORNING MOCHA

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ECONOMIST
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A slew of economic data in the US pointed towards the fact that US Fed fund rate has already peaked. US jobless claims rose to a 3month high for the week ending 11 Nov. Even industrial production data of the region remained downbeat due to labour disputes in the auto sector. CME Fed watch tool is pricing in a 99.8% probability of status quo in rate compared with 85.4% probability attached a week earlier. Fed officials such as Lisa Cook and Loretta J. Mester have also warned of risks to an unnecessarily sharp slump in activity due to excessive tightening. In another news, US President Joe Biden has said that talks with China have been constructive. On domestic front, RBI came in with a directive to increase risk weightage for certain categories of personal loans and also for consumer credit exposure of NBFCs.

- Global stocks ended mixed. Investors monitored soft macro data in the US (jobless claims and industrial production) as well as US-China talks. Equity markets in China and Hang Seng fell, led by a rout in tech stocks. In India, Sensex rose by 0.5%, led by gains in technology and consumer durable stocks. However, it is trading lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	15-11-2023	16-11-2023	% change
Dow Jones	34,991	34,945	(0.1)
S & P 500	4,503	4,508	0.1
FTSE	7,487	7,411	(1.0)
Nikkei	33,520	33,424	(0.3)
Hang Seng	18,079	17,833	(1.4)
Shanghai Comp	3,073	3,051	(0.7)
Sensex	65,676	65,982	0.5
Nifty	19,675	19,765	0.5

Source: Bloomberg, Bank of Baroda Research

- Except JPY which was higher by 0.4%, other global currencies traded in narrow ranges. DXY was marginally lower as weak macro data has strengthened the case for rate cuts. INR depreciated by 0.1% as India's trade deficit touched a record high in Oct'23. It is trading further lower today, while other Asian currencies are trading mostly stronger.

Fig 2 – Currencies

	15-11-2023	16-11-2023	% change
EUR/USD (1 EUR / USD)	1.0848	1.0852	0
GBP/USD (1 GBP / USD)	1.2416	1.2414	0
USD/JPY (JPY / 1 USD)	151.36	150.73	0.4
USD/INR (INR / 1 USD)	83.15	83.24	(0.1)
USD/CNY (CNY / 1 USD)	7.2468	7.2427	0.1

Source: Bloomberg, Bank of Baroda Research



- Except India, global yields closed lower. A host of factors such as weaker economic data in US, Eurozone and China hinted at slowdown in global growth and this has increased appetite for sovereign securities. Fed officials and ECB President all are hinting at risks of overtightening. India's 10Y yield rose by 2bps, ahead of the weekly auction. It is trading at 7.23% today.

Fig 3 – Bond 10Y yield

	15-11-2023	16-11-2023	change in bps
US	4.53	4.44	(10)
UK	4.23	4.15	(8)
Germany	2.64	2.59	(5)
Japan	0.80	0.79	(1)
China	2.67	2.66	(1)
India	7.22	7.24	2

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	15-11-2023	16-11-2023	change in bps
Tbill-91 days	6.93	6.92	(1)
Tbill-182 days	7.07	7.06	(1)
Tbill-364 days	7.12	7.09	(3)
G-Sec 2Y	7.20	7.20	1
India OIS-2M	6.82	6.83	1
India OIS-9M	6.84	6.85	1
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	15-11-2023	16-11-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.4	0.4	0
Reverse repo	0.2	0.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	13-11-2023	15-11-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(61.9)	312.2	374.1
Debt	50.7	128.9	78.2
Equity	(112.6)	183.3	295.8
Mutual funds (Rs cr)	2,181.8	599.4	(1,582.3)
Debt	1,667.7	106.7	(1,561.0)
Equity	514.1	492.8	(21.3)

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 8 and 9 Nov 2023

- Oil prices fell sharply amidst demand concerns after weak macro data from US.

Fig 7 – Commodities

	15-11-2023	16-11-2023	% change
Brent crude (US\$/bbl)	81.2	77.4	(4.6)
Gold (US\$/ Troy Ounce)	1,959.9	1,980.9	1.1
Copper (US\$/ MT)	8,172.3	8,122.0	(0.6)
Zinc (US\$/MT)	2,648.0	2,570.5	(2.9)
Aluminium (US\$/MT)	2,232.5	2,215.5	(0.8)

Source: Bloomberg, Bank of Baroda Research



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