

MORNING MOCHA

21 November 2023

ECONOMIST

Jahnavi Prabhakar

Moving in line with market expectations, PBoC has kept its benchmark rates unchanged with 1-year LPR pegged at 3.45% (usually for new and outstanding loans) and 5-year at 4.2% (for mortgage pricing). Separately, Thailand's GDP expanded at a much slower pace in Q3CY23 by 1.5% (1.8% in Q2) on account of slowdown in exports. Investors will closely monitor the OPEC+ meet scheduled this week with the expectation of output cuts proposed to support crude prices. Commentary by Fed officials will also be seen closely given the recent cooler than expected inflation print in US and raised hopes of a pause in the rate hike cycle by Fed.

- Global indices ended mixed. US indices closed higher supported by strong gains in technology, consumer services and telecom. Latest developments in the AI industry was also tracked closely by investors. Nikkei touched its highest level since Jul-1990 during the day and closed in green, supported by earnings season. Sensex ended in red led by losses in auto and capital good stocks. However, it is trading higher today, in line with other Asian indices.

Fig 1 – Stock markets

	17-11-2023	20-11-2023	% change
Dow Jones	34,947	35,151	0.6
S & P 500	4,514	4,547	0.7
FTSE	7,504	7,496	(0.1)
Nikkei	33,585	33,388	(0.6)
Hang Seng	17,454	17,778	1.9
Shanghai Comp	3,054	3,068	0.5
Sensex	65,795	65,655	(0.2)
Nifty	19,732	19,694	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Except INR, other global currencies ended higher. DXY fell by 0.5% to more than 2-month low, as weaker than expected US conference board economic index data reaffirms the view that economy is slowing, and Fed has reached the end of its rate hike cycle. JPY and CNY gained the most. INR fell as oil prices rose. However, it is trading higher today, in line with other Asian currencies.

Fig 2 – Currencies

	17-11-2023	20-11-2023	% change
EUR/USD (1 EUR / USD)	1.0915	1.0940	0.2
GBP/USD (1 GBP / USD)	1.2462	1.2505	0.3
USD/JPY (JPY / 1 USD)	149.63	148.39	0.8
USD/INR (INR / 1 USD)	83.27	83.35	(0.1)
USD/CNY (CNY / 1 USD)	7.2143	7.1669	0.7

Source: Bloomberg, Bank of Baroda Research



- Barring US and Japan (lower), other global yields closed higher. US 10Y yield declined by 2bps, following strong demand in the Fed auction of treasury securities. Investors also await minutes of last Fed meeting, for more cues on trajectory of rate cuts. India's 10Y yield was up by 4bps to 7.26%, as oil prices inched up again. However, it is trading lower today at 7.24%.

Fig 3 – Bond 10Y yield

	17-11-2023	20-11-2023	change in bps
US	4.44	4.42	(2)
UK	4.10	4.13	2
Germany	2.59	2.61	2
Japan	0.76	0.75	(1)
China	2.66	2.66	1
India	7.22	7.26	4

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	17-11-2023	20-11-2023	change in bps
Tbill-91 days	6.91	6.89	(2)
Tbill-182 days	7.06	7.07	1
Tbill-364 days	7.10	7.10	0
G-Sec 2Y	7.19	7.23	3
India OIS-2M	6.84	6.86	2
India OIS-9M	6.85	6.89	4
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	17-11-2023	20-11-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.5	1.0	0.5
Reverse repo	0	0.2	0.2
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	16-11-2023	17-11-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	354.9	(65.7)	(420.6)
Debt	195.7	(20.9)	(216.6)
Equity	159.2	(44.8)	(204.0)
Mutual funds (Rs cr)	(928.4)	(193.9)	734.5
Debt	(1,557.7)	(853.8)	703.9
Equity	629.3	660.0	30.6

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 10 and 13 Nov 2023

- Oil prices inched up by 2.1% as it is anticipated that OPEC+ members will increase supply cuts to support prices.

Fig 7 – Commodities

	17-11-2023	20-11-2023	% change
Brent crude (US\$/bbl)	80.6	82.3	2.1
Gold (US\$/ Troy Ounce)	1,980.8	1,978.1	(0.1)
Copper (US\$/ MT)	8,168.2	8,340.3	2.1
Zinc (US\$/MT)	2,553.3	2,559.5	0.2
Aluminium (US\$/MT)	2,207.0	2,245.5	1.7



Source: Bloomberg, Bank of Baroda Research



Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at



For further details about this publication, please contact:

Chief Economist

Bank of Baroda

+91 22 6698 5143

chief.economist@bankofbaroda.com