

## MORNING MOCHA

30 November 2023

ECONOMIST

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China's manufacturing PMI slipped deeper into the contraction zone (49.4 in Nov'23 v. 49.5 in Oct'23). Non-manufacturing PMI too moderated (50.2 from 50.6 in Oct'23), led by a contraction in services activity. On the other hand, US economic strength was reinforced after Q3CY23 GDP was revised upwards to 5.2% (est. 5%), from 4.9% earlier. In the Eurozone, inflation in both Germany and Spain eased significantly, led by a drop in energy prices. Separately, OECD has projected a slowdown in global growth from 2.9% in 2023 to 2.7% in 2024. Even so, it expects most major economies to avoid a hard landing. For India, GDP growth is estimated at 6.3% in FY24 and 6.1% in FY25. In India, the free foodgrains scheme (PMGKAY) has been extended for another 5 years, with an estimated cost of Rs. 11.8 lakh crores.

- Global stocks broadly ended lower. Investors' sentiments were impacted by expectations of a mild slowdown in 2024 as projected in OECD's Economic Outlook. Apart from this, moderation in inflation in Germany and slowdown in consumer credit in UK, also impacted sentiments. Hang Seng fell the most, followed by Shanghai Comp. Sensex rose by 1.1%, supported by banking stocks. It is trading higher today, in line with Asian stocks.

**Fig 1 – Stock markets**

	28-11-2023	29-11-2023	% change
Dow Jones	35,417	35,430	0
S & P 500	4,555	4,551	(0.1)
FTSE	7,455	7,423	(0.4)
Nikkei	33,408	33,321	(0.3)
Hang Seng	17,354	16,993	(2.1)
Shanghai Comp	3,039	3,022	(0.6)
Sensex	66,174	66,902	1.1
Nifty	19,890	20,097	1.0

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY closed flat, after declining for the last three sessions. Positive GDP data lent support to the dollar. EUR fell by 0.2% after Germany's inflation report. INR ended broadly stable. It is trading stronger today, in line with other Asian currencies.

**Fig 2 – Currencies**

	28-11-2023	29-11-2023	% change
EUR/USD (1 EUR / USD)	1.0993	1.0969	(0.2)
GBP/USD (1 GBP / USD)	1.2694	1.2695	0
USD/JPY (JPY / 1 USD)	147.48	147.24	0.2
USD/INR (INR / 1 USD)	83.34	83.33	0
USD/CNY (CNY / 1 USD)	7.1363	7.1262	0.1

Source: Bloomberg, Bank of Baroda Research



- Except China (stable), global yields closed lower. Japan's 10Y yield fell sharply, as a BoJ Board member spoke of easy monetary policy. US 10Y yield fell, tracking comments from Fed's Loretta Mester's suggesting a nimble approach. Germany's 10Y yield got comfort from a softened inflation print in Nov'23. India's 10Y yield fell by 3bps led by global cues. It is trading flat today.

**Fig 3 – Bond 10Y yield**

	28-11-2023	29-11-2023	change in bps
US	4.32	4.26	(7)
UK	4.17	4.10	(8)
Germany	2.50	2.43	(6)
Japan	0.76	0.67	(9)
China	2.69	2.69	0
India	7.28	7.25	(3)

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	28-11-2023	29-11-2023	change in bps
Tbill-91 days	6.98	6.96	(2)
Tbill-182 days	7.08	7.13	5
Tbill-364 days	7.13	7.14	1
G-Sec 2Y	7.28	7.26	(2)
India OIS-2M	6.87	6.86	(1)
India OIS-9M	6.89	6.86	(3)
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	28-11-2023	29-11-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.1	1.0	(0.1)
Reverse repo	0.2	0.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	24-11-2023	28-11-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	508.6	267.0	(241.7)
Debt	206.0	52.8	(153.3)
Equity	302.6	214.2	(88.4)
Mutual funds (Rs cr)	(1,847.5)	(5,954.1)	(4,106.6)
Debt	(2,198.5)	(6,440.1)	(4,241.6)
Equity	351.0	486.0	135.0

Source: Bloomberg, Bank of Baroda Research | Note: Mutual fund data as of 23 Nov 2023 and 24 Nov 2023

- Oil prices rose amidst expectations of deeper output cuts from OPEC+.

**Fig 7 – Commodities**

	28-11-2023	29-11-2023	% change
Brent crude (US\$/bbl)	81.7	83.1	1.7
Gold (US\$/ Troy Ounce)	2,041.0	2,044.2	0.2
Copper (US\$/ MT)	8,387.8	8,336.5	(0.6)
Zinc (US\$/MT)	2,537.0	2,492.0	(1.8)
Aluminium (US\$/MT)	2,217.0	2,214.0	(0.1)

Source: Bloomberg, Bank of Baroda Research



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