

MORNING MOCHA

07 November 2023

ECONOMIST
Sonal Badhan

Final estimates for composite (46.5 in Oct'23 versus 47.2 in Sep'23) and services PMI (47.8 versus 48.7) show that Eurozone has started Q4 on an even weaker note. According to the survey, deceleration in activity was the strongest since Nov'20, driven by sharp dip in new business orders (fastest decline since Sep'12—debt crisis), and stagnation in employment. Germany's service sector activity contracted (48.2 versus 50.3), while in France, pace of decline slowed (45.2 versus 44.4). In case of Japan, services sector is performing relatively better (50 versus 50.5), but is beginning to witness moderation, led by continued decline in new orders (49.3 versus 49.5). Separately, RBA hiked its policy rate by 25bps to 4.35% (in line with estimates), owing to persistently high services inflation and increase in wage growth. CPI is expected to be ~3.5% by the end of CY24, higher than targeted 2-3% range.

- Barring FTSE, other global indices ended in green. Investors await guidance on future policy rates. There is an expectation of no more rate hikes in the US in the current cycle. Amongst other indices, Nikkei surged the most. Sensex too advanced led by gains in capital goods and metal stocks. It is trading lower today in line with other Asian indices.

Fig 1 – Stock markets

| | 3-11-2023 | 6-11-2023 | % change |
|---------------|-----------|-----------|----------|
| Dow Jones | 34,061 | 34,096 | 0.1 |
| S & P 500 | 4,358 | 4,366 | 0.2 |
| FTSE | 7,418 | 7,418 | 0 |
| Nikkei | 31,950 | 32,708 | 2.4 |
| Hang Seng | 17,664 | 17,967 | 1.7 |
| Shanghai Comp | 3,031 | 3,058 | 0.9 |
| Sensex | 64,364 | 64,959 | 0.9 |
| Nifty | 19,231 | 19,412 | 0.9 |

Source: Bloomberg, Bank of Baroda Research

- Except INR and CNY, other global currencies ended lower against the dollar. DXY gained by 0.2% as the focus will shift towards commentary by Fed officials and CPI data. Last week's data on jobs growth was weaker than expected and will support Fed's narrative of holding rates steady. INR appreciated by 0.1%. It is trading weaker today while other Asian currencies are trading mixed.

Fig 2 – Currencies

| | 3-11-2023 | 6-11-2023 | % change |
|-----------------------|-----------|-----------|----------|
| EUR/USD (1 EUR / USD) | 1.0731 | 1.0718 | (0.1) |
| GBP/USD (1 GBP / USD) | 1.2380 | 1.2344 | (0.3) |
| USD/JPY (JPY / 1 USD) | 149.39 | 150.07 | (0.5) |
| USD/INR (INR / 1 USD) | 83.29 | 83.22 | 0.1 |
| USD/CNY (CNY / 1 USD) | 7.2754 | 7.2702 | 0.1 |

Source: Bloomberg, Bank of Baroda Research



- Barring yields in Asia, other sovereign yields closed higher. US 10Y yield was up by 7bps as focus shifts towards Fed Chair's statement due this week, for guidance on rates and expectation on economic outlook. India's 10Y yield was down by 1bps, despite increase in oil prices. It is trading flat today.

Fig 3 – Bond 10Y yield

| | 3-11-2023 | 6-11-2023 | change in bps |
|---------|-----------|-----------|---------------|
| US | 4.57 | 4.64 | 7 |
| UK | 4.29 | 4.38 | 9 |
| Germany | 2.65 | 2.74 | 9 |
| Japan | 0.93 | 0.88 | (4) |
| China | 2.67 | 2.66 | (1) |
| India | 7.31 | 7.31 | (1) |

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

| | 3-11-2023 | 6-11-2023 | change in bps |
|--------------------------|-----------|-----------|---------------|
| Tbill-91 days | 6.90 | 6.90 | 0 |
| Tbill-182 days | 7.04 | 7.05 | 1 |
| Tbill-364 days | 7.13 | 7.13 | 0 |
| G-Sec 2Y | 7.28 | 7.27 | (2) |
| India OIS-2M | 6.80 | 6.81 | 1 |
| India OIS-9M | 6.87 | 6.86 | (1) |
| SONIA int rate benchmark | 5.19 | 5.19 | 0 |
| US SOFR | 5.33 | 5.32 | (1) |

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

| Rs tn | 3-11-2023 | 6-11-2023 | change (Rs tn) |
|-----------------------------------|-----------|-----------|----------------|
| Net Liquidity (-Surplus/+deficit) | (0.1) | 0 | 0.1 |
| Reverse repo | 0 | 0 | 0 |
| Repo | 0 | 0 | 0 |

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

| | 2-11-2023 | 3-11-2023 | change (US\$ mn/Rs cr) |
|----------------------|-----------|-----------|------------------------|
| FII (US\$ mn) | (11.0) | 57.2 | 68.2 |
| Debt | 131.7 | 67.5 | (64.2) |
| Equity | (142.7) | (10.3) | 132.4 |
| 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 17th and 18th Oct 2023

- Oil prices rose by 0.3%, as Saudi Arabia and Russia reaffirmed extension of voluntary productions cuts until till end of this year.

Fig 7 – Commodities

| | 3-11-2023 | 6-11-2023 | % change |
|-------------------------|-----------|-----------|----------|
| Brent crude (US\$/bbl) | 84.9 | 85.2 | 0.3 |
| Gold (US\$/ Troy Ounce) | 1,992.7 | 1,978.1 | (0.7) |
| Copper (US\$/ MT) | 8,095.7 | 8,157.7 | 0.8 |
| Zinc (US\$/MT) | 2,515.5 | 2,562.8 | 1.9 |
| Aluminium (US\$/MT) | 2,254.0 | 2,287.5 | 1.5 |

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

Chief Economist

Bank of Baroda

+91 22 6698 5143

chief.economist@bankofbaroda.com