

MORNING MOCHA

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As a result of weakening global demand, China's trade data showed that its exports fell by 6.4% (est.: -2.9%) in Oct'23, following 6.2% decline in Sep'23. Exports to Asia and EU fell sharply. In contrast, its imports rose by 3% (est.: -4.5%), rebounding from 6.3% dip in Sep'23 and registering first positive print in a year. Elsewhere, even Taiwan's export growth fell in Oct'23 by 4.5% compared with 3.4% increase in the previous month, largely owing to slowdown in global sales smartphones. Drop in disposable income due to weak economic activity and higher prices is impacting demand conditions. Central banks are thus hinting at end of their rate hike cycles. BoE's chief economist has stirred hopes of rate cuts from next summer. Fed Chair's speech is also awaited for cues on US rate trajectory.

- Global indices ended mixed. US indices closed higher as investors anticipated the end of rate hike cycle and remained cautious about Fed commentary. As per CME Fedwatch, there is 90% of chance of Fed holding rates in Dec'23. Amongst indices, Hang Seng dropped the most. Sensex ended flat with sectoral gains in oil & gas stocks. It opened lower today in line with other Asian stocks.

Fig 1 – Stock markets

	6-11-2023	7-11-2023	% change
Dow Jones	34,096	34,153	0.2
S & P 500	4,366	4,378	0.3
FTSE	7,418	7,410	(0.1)
Nikkei	32,708	32,272	(1.3)
Hang Seng	17,967	17,670	(1.6)
Shanghai Comp	3,058	3,057	0
Sensex	64,959	64,942	0
Nifty	19,412	19,407	0

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended lower against the dollar. DXY gained by 0.3%. Euro fell by 0.2% after Germany's industrial production dropped more than expected and dented investor sentiments. INR fell by 0.1% amidst a sharp drop in oil prices. It is trading stronger today while other Asian currencies are trading mixed.

Fig 2 – Currencies

	6-11-2023	7-11-2023	% change
EUR/USD (1 EUR / USD)	1.0718	1.0700	(0.2)
GBP/USD (1 GBP / USD)	1.2344	1.2300	(0.4)
USD/JPY (JPY / 1 USD)	150.07	150.37	(0.2)
USD/INR (INR / 1 USD)	83.22	83.27	(0.1)
USD/CNY (CNY / 1 USD)	7.2702	7.2800	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Barring Japan (flat) and China (higher), other sovereign yields closed lower. 10Y yield in UK fell the most, as BoE's chief economist signalled that rate cuts could



begin from next summer. Investors also expect Fed Chair to signal end of rate hike cycle in his speech due this week. India's 10Y yield was down by 3bps as oil prices eased. It is trading further lower today at 7.26%.

Fig 3 – Bond 10Y yield

	6-11-2023	7-11-2023	change in bps
US	4.64	4.57	(8)
UK	4.38	4.27	(11)
Germany	2.74	2.66	(8)
Japan	0.88	0.88	0
China	2.66	2.67	1
India	7.31	7.28	(3)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	6-11-2023	7-11-2023	change in bps
Tbill-91 days	6.90	6.93	3
Tbill-182 days	7.05	7.03	(2)
Tbill-364 days	7.13	7.14	1
G-Sec 2Y	7.27	7.25	(2)
India OIS-2M	6.81	6.82	1
India OIS-9M	6.86	6.86	0
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	6-11-2023	7-11-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0	0.2	0.2
Reverse repo	0	0.2	0.2
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	3-11-2023	6-11-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	57.2	41.8	(15.4)
Debt	67.5	(1.4)	(68.9)
Equity	(10.3)	43.3	53.5
Mutual funds (Rs cr)	183.3	(267.8)	(451.0)
Debt	40.4	(84.5)	(124.8)
Equity	142.9	(183.3)	(326.2)

Source: Bloomberg, Bank of Baroda Research Note: Mutual fund data as of 31 Oct and 1 Nov 2023

- Oil prices tumbled (-4.2%) as data showed significant build up in US crude stockpiles.

Fig 7 – Commodities

	6-11-2023	7-11-2023	% change
Brent crude (US\$/bbl)	85.2	81.6	(4.2)
Gold (US\$/ Troy Ounce)	1,978.1	1,969.5	(0.4)
Copper (US\$/ MT)	8,157.7	8,101.0	(0.7)
Zinc (US\$/MT)	2,562.8	2,557.8	(0.2)
Aluminium (US\$/MT)	2,287.5	2,265.0	(1.0)

Source: Bloomberg, Bank of Baroda Research



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