

MORNING MOCHA

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Global markets closely tracked rate decisions by major central banks. Moreover, comments by New York Fed official against the expectations of rate cut impacted investors sentiments after dovish commentary by Fed. Additionally, US flash composite PMI edged up to 5-month high of 51 in Dec'23 from 50.7 in Nov'23 led by expansion in services sector. However, manufacturing PMI moderated to 48.2 (49.4 in Nov'23) due to declining orders. Separately, moving on a divergent path from US Fed, Bank of Canada officials in their recent comments highlighted 'it is still too early' to ease monetary policy. This week the focus will turn towards BoJ and inflation rate from Japan.

- Global indices ended mixed following key decisions by major central banks. Dow Jones climbed higher supported by strong economic data print (flash services PMI, factory output). Amongst other indices, Hang Seng surged the most. Sensex scaled a new peak supported by gain in IT and metal stocks. However, it is trading lower today, in line with other Asian markets.

Fig 1 – Stock markets

	14-12-2023	15-12-2023	% change
Dow Jones	37,248	37,305	0.2
S & P 500	4,720	4,719	0
FTSE	7,649	7,576	(0.9)
Nikkei	32,686	32,971	0.9
Hang Seng	16,402	16,792	2.4
Shanghai Comp	2,959	2,943	(0.6)
Sensex	70,514	71,484	1.4
Nifty	21,183	21,457	1.3

Source: Bloomberg, Bank of Baroda Research

- Barring INR (higher), other global currencies ended lower against the dollar. DXY rose by 0.6%, mainly due to correction in other basket currencies. EUR and GBP fell the most, as macro indicators suggest that respective economies are heading towards deeper downturn in economic activity. INR is trading stronger today while other Asian currencies are trading lower.

Fig 2 – Currencies

	14-12-2023	15-12-2023	% change
EUR/USD (1 EUR / USD)	1.0993	1.0895	(0.9)
GBP/USD (1 GBP / USD)	1.2767	1.2681	(0.7)
USD/JPY (JPY / 1 USD)	141.89	142.15	(0.2)
USD/INR (INR / 1 USD)	83.33	83.00	0.4
USD/CNY (CNY / 1 USD)	7.1119	7.1215	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Except Japan, other global yields continued to slide down. 10Y yields in UK and Germany fell the most. Investors are pricing in rate cuts by central banks



from mid next year, as economies face risk of recession (UK, Eurozone). India's 10Y yield also fell, due to strong demand at weekly auction and following RBI's announcement of VRR instead of OMO sale. It is trading at 7.17% today.

Fig 3 – Bond 10Y yield

	14-12-2023	15-12-2023	change in bps
US	3.92	3.91	(1)
UK	3.79	3.69	(10)
Germany	2.12	2.02	(10)
Japan	0.67	0.70	2
China	2.65	2.64	(2)
India	7.20	7.16	(3)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	14-12-2023	15-12-2023	change in bps
Tbill-91 days	6.94	6.93	(1)
Tbill-182 days	7.15	7.10	(5)
Tbill-364 days	7.14	7.08	(6)
G-Sec 2Y	7.11	7.07	(4)
India OIS-2M	6.80	6.74	(6)
India OIS-9M	6.75	6.64	(11)
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.31	5.31	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	14-12-2023	15-12-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.4	0.6	0.2
Reverse repo	0.2	0	(0.2)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	13-12-2023	14-12-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	609.1	602.1	(7.1)
Debt	(26.4)	185.3	211.7
Equity	635.6	416.8	(218.8)
Mutual funds (Rs cr)	(1,026.8)	(3,136.3)	(2,109.6)
Debt	(351.8)	(4,520.0)	(4,168.2)
Equity	(675.0)	1,383.7	2,058.7

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 11 Dec and 12 Dec 2023

- Oil prices remain subdued, as major economies are gradually showing of signs of stress in their economic activities.

Fig 7 – Commodities

	14-12-2023	15-12-2023	% change
Brent crude (US\$/bbl)	76.6	76.6	(0.1)
Gold (US\$/ Troy Ounce)	2,036.4	2,019.6	(0.8)
Copper (US\$/ MT)	8,460.5	8,454.7	(0.1)
Zinc (US\$/MT)	2,497.5	2,536.3	1.6
Aluminium (US\$/MT)	2,210.0	2,247.5	1.7

Source: Bloomberg, Bank of Baroda Research



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