

## MORNING MOCHA

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ECONOMIST

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Economic data from the US fuelled expectations of monetary easing by Fed with investors pricing in a 71.3% likelihood of 25bps rate cut as per FEDWATCH tool. US GDP for Q3 was up by 4.9% much lower than expectations (5.2%). Additionally, US jobless claims also inched up to 205,000 for the week ending Dec 16. However, they continue to remain historically lower. The focus will now turn towards upcoming PCE report to offer more guidance on inflation movement. Separately, the BoJ minutes noted that members discussed on better communicating the policy stance (including the YCC) in order to avoid any speculation. Furthermore, inflation rate in Japan slowed down to its lowest level (since Jul'22) at 2.8% in Nov'23 (3.3% in Oct'23).

- Barring FTSE and Nikkei other global indices closed higher. US indices rose led by gains in stocks of semiconductor and ahead of the release of inflation data. Investors will closely track the 'Santa clause rally' (gains on final 5-trading days) which has historically signalled market movement for the coming days. Sensex recovered and climbed higher led by strong gains in power and oil & gas stocks. However, it is trading flat today, while other Asian markets are trading higher.

**Fig 1 – Stock markets**

	20-12-2023	21-12-2023	% change
Dow Jones	37,082	37,404	0.9
S & P 500	4,698	4,747	1.0
FTSE	7,716	7,695	(0.3)
Nikkei	33,676	33,140	(1.6)
Hang Seng	16,614	16,621	0.0
Shanghai Comp	2,902	2,919	0.6
Sensex	70,506	70,865	0.5
Nifty	21,150	21,255	0.5

Source: Bloomberg, Bank of Baroda Research

- Barring INR (lower) and China (flat), other global currencies ended higher against the dollar. DXY fell by 0.6%, as labour market showed signs of cooling (jobless claims), giving wind to expectation of rate cut by Fed in Mar'24. EUR and JPY gained the most. INR ended flat, eyeing stickiness in oil prices. However, it is trading higher today, in line with other Asian currencies.

**Fig 2 – Currencies**

	20-12-2023	21-12-2023	% change
EUR/USD (1 EUR / USD)	1.0942	1.1011	0.6
GBP/USD (1 GBP / USD)	1.2639	1.2690	0.4
USD/JPY (JPY / 1 USD)	143.57	142.12	1.0
USD/INR (INR / 1 USD)	83.18	83.28	(0.1)
USD/CNY (CNY / 1 USD)	7.1386	7.1378	0

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. Varied signals from the US (softer than expected Q3 GDP and jobless claims; improving home sales, consumer confidence), has impacted investor sentiments. Market participants now await core PCE data for more cues on Fed's rate trajectory. India's 10Y yield rose by 2bps, as oil prices hover around US\$ 79/bbl. However it is trading flat today.

**Fig 3 – Bond 10Y yield**

	20-12-2023	21-12-2023	change in bps
US	3.85	3.89	4
UK	3.53	3.53	0
Germany	1.97	1.96	(1)
Japan	0.56	0.58	3
China	2.64	2.62	(2)
India	7.17	7.19	2

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	20-12-2023	21-12-2023	change in bps
Tbill-91 days	6.93	6.93	0
Tbill-182 days	7.13	7.10	(3)
Tbill-364 days	7.11	7.11	0
G-Sec 2Y	7.06	7.07	1
India OIS-2M	6.77	6.78	1
India OIS-9M	6.65	6.67	2
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	20-12-2023	21-12-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	2.3	2.6	0.3
Reverse repo	0	0	0
Repo	1.0	1.0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	19-12-2023	20-12-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	374.1	260.2	(114.0)
Debt	150.5	18.8	(131.8)
Equity	223.6	241.4	17.8
Mutual funds (Rs cr)	(385.6)	1,262.2	1,647.8
Debt	(1,594.9)	275.8	1,870.8
Equity	1,209.4	986.4	(222.9)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual fund data as of 18 Dec 2023 and 19 Dec 2023

- Oil prices fell a tad, following the news of Angola exiting OPEC group.

**Fig 7 – Commodities**

	20-12-2023	21-12-2023	% change
Brent crude (US\$/bbl)	79.7	79.4	(0.4)
Gold (US\$/ Troy Ounce)	2,031.4	2,046.0	0.7
Copper (US\$/ MT)	8,488.5	8,508.5	0.2
Zinc (US\$/MT)	2,559.0	2,535.0	(0.9)
Aluminium (US\$/MT)	2,241.0	2,244.0	0.1

Source: Bloomberg, Bank of Baroda Research



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