

## MORNING MOCHA

04 September 2023

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US labour market data gave mixed signals to the market. While Aug'23 print of nonfarm payroll addition at 187K was higher than expectation of 170K, Jul'23 print was revised lower to 157K from 187K earlier. Unemployment rate inched up to 3.8% from 3.5% in Jul'23. The average hourly earnings moderated to 0.2% from 0.3% earlier, on sequential basis. Markets have raised the expectation of a pause with 94% probability compared to 88% a day earlier. US stocks also reacted positively to the same. However, bond market gave conflicting signals. Elsewhere, stimulus measures by PBOC continued. On domestic front, progress of southwest monsoon has been 11% below LPA and Kharif sowing has been slightly higher by 0.4% compared to last year, with pulses still a concern.

- Global market closed broadly higher. Stocks in US ended in green after jobs report solidified expectations of a pause by Fed in its Sep'23 meeting. Shanghai Comp rose by 0.4% as China stepped up support for its economy. Sensex rose by 0.9%, after stronger than expected growth data. Metal and power stocks rose the most. It is trading further higher today, in line with other Asian stocks.

**Fig 1 – Stock markets**

	31-09-2023	1-09-2023	% change
Dow Jones	34,722	34,838	0.3
S & P 500	4,508	4,516	0.2
FTSE	7,439	7,465	0.3
Nikkei	32,619	32,711	0.3
Hang Seng	18,483	18,382	(0.5)
Shanghai Comp	3,120	3,133	0.4
Sensex	64,831	65,387	0.9
Nifty	19,254	19,435	0.9

Source: Bloomberg, Bank of Baroda Research

- Barring INR, other global currencies ended weaker against the dollar. DXY rose by 0.6% after a mixed jobs report in the US. EUR fell by 0.6% as Germany's manufacturing PMI continued to languish in the contractionary zone. INR appreciated by 0.1% supported by positive macro data (Q1FY24 GDP and manufacturing PMI). However, it is trading weaker today, while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	31-08-2023	1-09-2023	% change
EUR/USD (1 EUR / USD)	1.0843	1.0780	(0.6)
GBP/USD (1 GBP / USD)	1.2673	1.2590	(0.7)
USD/JPY (JPY / 1 USD)	145.54	146.22	(0.5)
USD/INR (INR / 1 USD)	82.79	82.72	0.1
USD/CNY (CNY / 1 USD)	7.2588	7.2663	(0.1)

Source: Bloomberg, Bank of Baroda Research



- Barring Japan (lower) and India (stable), global yields closed higher. Germany's 10Y yield rose the most by 8bps tracking ECB Official's comments. US and UK's 10Y yield rose by 7bps each. In the US, labour market gave conflicting signals. Even Cleveland Fed President spoke of a data dependent approach on rates. India's 10Y yield closed flat. It is trading at 7.19% today.

**Fig 3 – Bond 10Y yield**

	31-08-2023	1-09-2023	change in bps
US	4.11	4.18	7
UK	4.36	4.43	7
Germany	2.47	2.55	8
Japan	0.65	0.63	(2)
China	2.58	2.62	4
India	7.16	7.17	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in UK were closed on 28.08.2023

**Fig 4 – Short term rates**

	31-08-2023	1-09-2023	change in bps
Tbill-91 days	6.77	6.77	0
Tbill-182 days	6.99	6.96	(3)
Tbill-364 days	7.01	6.97	(4)
G-Sec 2Y	7.11	7.10	(1)
India OIS-2M	6.73	6.74	1
India OIS-9M	6.94	6.94	0
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.30	5.31	1

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	31-08-2023	1-09-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.8)	(0.9)	(0.1)
Reverse repo	0.2	0.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	30-08-2023	31-08-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	4.6	172.8	168.2
Debt	3.4	20.6	17.1
Equity	1.2	152.2	151.0
Mutual funds (Rs cr)	60.9	410.1	349.3
Debt	(900.6)	(31.0)	869.6
Equity	961.4	441.1	(520.3)

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 22<sup>nd</sup> and 23<sup>rd</sup> Aug

- Oil prices rose by 1.9% following stimulus measures in China.

**Fig 7 – Commodities**

	31-08-2023	1-09-2023	% change
Brent crude (US\$/bbl)	86.9	88.6	1.9
Gold (US\$/ Troy Ounce)	1,940.2	1,940.1	0
Copper (US\$/ MT)	8,404.5	8,479.3	0.9
Zinc (US\$/MT)	2,415.7	2,468.8	2.2
Aluminium (US\$/MT)	2,208.0	2,237.0	1.3

Source: Bloomberg, Bank of Baroda Research



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