

## MORNING MOCHA

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China's Caixin services PMI expanded at its slowest pace in 8 months dropping to 51.8 in Aug'23 against expectation of 53.5 and previous month's level of 54.1. This further reinforced that demand conditions are weakening in the region. Elsewhere, in Germany, exports fell by 0.9% in Jul'23 against previous month's growth of 0.2%, albeit at a slower pace than expectation of 1.5% decline. Imports of the region on the other hand maintained momentum growing by 1.4% against 3.2% decline in Jun'23. ECB President gave conflicting signals on future course of rate, however stating that action over words are preferred. On domestic front, services PMI data is due for release where a robust pickup in activity is expected.

- Except FTSE, other global indices ended higher led by optimism around new stimulus measures announced by China. Expectations that the Fed may end its rate hike cycle also boosted sentiments. Hang Seng rose the most, followed by Shanghai Comp. Sensex rose by 0.4%, led by gains in metal and power stocks. It is trading further higher today, while other Asian indices were mostly lower.

**Fig 1 – Stock markets**

	1-09-2023	4-09-2023	% change
Dow Jones	34,722	34,838	0.3
S & P 500	4,508	4,516	0.2
FTSE	7,465	7,453	(0.2)
Nikkei	32,711	32,939	0.7
Hang Seng	18,382	18,844	2.5
Shanghai Comp	3,133	3,177	1.4
Sensex	65,387	65,628	0.4
Nifty	19,435	19,529	0.5

Source: Bloomberg, Bank of Baroda Research, Markets in US were closed on 4 Sep

- Global currencies ended mixed. Investor focus remained on US rate path and stimulus measures by China. While GBP and EUR appreciated, Asian currencies were mostly lower. JPY depreciated the most and fell by 0.2%. INR is trading weaker today, in line with other Asian currencies.

**Fig 2 – Currencies**

	1-09-2023	4-09-2023	% change
EUR/USD (1 EUR / USD)	1.0780	1.0796	0.1
GBP/USD (1 GBP / USD)	1.2590	1.2625	0.3
USD/JPY (JPY / 1 USD)	146.22	146.47	(0.2)
USD/INR (INR / 1 USD)	82.72	82.75	0
USD/CNY (CNY / 1 USD)	7.2663	7.2746	(0.1)

Source: Bloomberg, Bank of Baroda Research, Markets in US were closed on 4 Sep

- Global yields closed higher. UK's 10Y yield rose by 4bps ahead of sales data which is expected to post a strong print. Even Germany's 10Y yield rose by 3bps tracking ECB President's comments. China's 10Y yield also rose by 3bps



as property sector saw some relief with one of the important developer firm avoiding default in payment. India's 10Y yield rose by 4bps, taking global cues. It is trading at the same level today.

**Fig 3 – Bond 10Y yield**

	1-09-2023	4-09-2023	change in bps
US	4.11	4.18	7
UK	4.43	4.46	4
Germany	2.55	2.58	3
Japan	0.63	0.64	1
China	2.62	2.65	3
India	7.17	7.21	4

Source: Bloomberg, Bank of Baroda Research, Markets in US were closed on 4 Sep

**Fig 4 – Short term rates**

	1-09-2023	4-09-2023	change in bps
Tbill-91 days	6.77	6.80	3
Tbill-182 days	6.96	6.99	3
Tbill-364 days	6.97	7.01	4
G-Sec 2Y	7.10	7.12	2
India OIS-2M	6.74	6.74	0
India OIS-9M	6.94	6.98	3
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	1-09-2023	4-09-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.9)	(1.6)	(0.7)
Reverse repo	0.2	0.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	31-08-2023	1-09-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	172.8	301.7	129.0
Debt	20.6	86.7	66.1
Equity	152.2	215.1	62.9
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 on hopes of demand revival as China unveiled fresh stimulus.

**Fig 7 – Commodities**

	1-09-2023	4-09-2023	% change
Brent crude (US\$/bbl)	88.6	89.0	0.5
Gold (US\$/ Troy Ounce)	1,940.1	1,942.7	0.1
Copper (US\$/ MT)	8,479.3	8,437.3	(0.5)
Zinc (US\$/MT)	2,468.8	2,462.5	(0.3)
Aluminium (US\$/MT)	2,237.0	2,212.5	(1.1)

Source: Bloomberg, Bank of Baroda Research



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