

## MORNING MOCHA

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Jobless claims data in the US fell to its 7-month low signalling tighter labour market conditions. Even unit labour cost in Q2 rose more than expected. This data follows host of other macro data in the current week such as core capital goods orders, ISM services print which all pointed towards resilience of the economy. Even New York Fed Chief spoke of a restrictive data dependent policy approach. Elsewhere in Germany, industrial production fell more than expected by 0.8% on SA, MoM basis (est.: -0.4%). In Japan as well, final estimate of Q2 GDP rose less than expected by 1.2% (est.: 1.4%), on SA QoQ basis, on account of weaker demand conditions. Even wage growth slowed down considerably. On domestic front, market is eagerly waiting for the CPI data for cues on rates.

- Global indices ended mixed. Investor sentiments continued to be fraught with uncertainty over Fed rate outlook. Flaring up of US-China trade tensions and weak trade data from China also weighed on markets. Sensex bucked the weakness in Asian equities and rose by 0.6%. Capital goods and real estate stocks were the major gainers. It is trading further higher today, while other Asian stocks are trading lower.

**Fig 1 – Stock markets**

	6-09-2023	7-09-2023	% change
Dow Jones	34,443	34,501	0.2
S & P 500	4,465	4,451	(0.3)
FTSE	7,426	7,442	0.2
Nikkei	33,241	32,991	(0.8)
Hang Seng	18,450	18,202	(1.3)
Shanghai Comp	3,158	3,122	(1.1)
Sensex	65,881	66,266	0.6
Nifty	19,611	19,727	0.6

Source: Bloomberg, Bank of Baroda Research

- Most global currencies ended weaker. DXY rose to a near 9-month high supported by hopes of a soft landing. EUR fell by 0.3% as investors expect a pause by ECB. CNY fell to a 16-year low amidst growth concerns. INR fell to a fresh record-low led by a dollar rally, FPI outflows and elevated oil prices. However, it is trading a tad stronger today, in line with other Asian currencies.

**Fig 2 – Currencies**

	6-09-2023	7-09-2023	% change
EUR/USD (1 EUR / USD)	1.0727	1.0696	(0.3)
GBP/USD (1 GBP / USD)	1.2507	1.2472	(0.3)
USD/JPY (JPY / 1 USD)	147.66	147.30	0.2
USD/INR (INR / 1 USD)	83.14	83.21	(0.1)
USD/CNY (CNY / 1 USD)	7.3180	7.3291	(0.2)

Source: Bloomberg, Bank of Baroda Research



- Except Japan and China (stable), global yields closed lower. Demand for sovereign yields increased as macro data points gave conflicting signals. UK's 10Y yield fell the most by 8bps tracking tumbling house prices data. US and Germany's 10Y yield fell by 4bps each. India's 10Y yield also fell by 3bps taking global cues. It is trading at 7.17% today, ahead of auction.

**Fig 3 – Bond 10Y yield**

	6-09-2023	7-09-2023	change in bps
US	4.28	4.24	(4)
UK	4.53	4.45	(8)
Germany	2.65	2.61	(4)
Japan	0.66	0.66	0
China	2.67	2.67	0
India	7.21	7.18	(3)

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	6-09-2023	7-09-2023	change in bps
Tbill-91 days	6.79	6.80	1
Tbill-182 days	7.01	7.00	(1)
Tbill-364 days	7.02	7.00	(2)
G-Sec 2Y	7.12	7.13	2
India OIS-2M	6.75	6.76	1
India OIS-9M	6.98	6.98	0
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	6-09-2023	7-09-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.9)	(0.8)	0.1
Reverse repo	0.2	0.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	5-09-2023	6-09-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(254.4)	(319.9)	(65.5)
Debt	(96.3)	21.0	117.3
Equity	(158.1)	(340.9)	(182.8)
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 fell by 0.8% amidst demand concerns after weak data from China.

**Fig 7 – Commodities**

	6-09-2023	7-09-2023	% change
Brent crude (US\$/bbl)	90.6	89.9	(0.8)
Gold (US\$/ Troy Ounce)	1,916.6	1,919.7	0.2
Copper (US\$/ MT)	8,358.8	8,309.3	(0.6)
Zinc (US\$/MT)	2,443.0	2,459.1	0.7
Aluminium (US\$/MT)	2,193.5	2,196.0	0.1

Source: Bloomberg, Bank of Baroda Research



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