

MORNING MOCHA

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Initial jobless claims data in the US is indicating steady slowdown in the labour market, with claims increasing to 220k for the week ending 2 Dec 2023, up by 1k from the week before. Continuing jobless claims remain at its highest since Dec'21. In Eurozone, it was confirmed that GDP contracted by (-) 0.1% in Q3. Data from Germany suggests that Q4 is also expected to be bleak. German industrial output fell for the 5th consecutive month in Oct'23, by (-) 0.4% (MoM) versus est.: 0.2% increase and (-) 1.4% decline in Sep'23. In Asia, Japan's economy remains under stress as Q3 GDP figures were revised downward to (-) 2.9% (est.: -1.9%) from previously estimated (-) 2.1%. Worryingly, major drag came from revision in private consumption (-0.2% versus 0%). Capital expenditure also declined, but less than anticipated (-0.4% versus -0.6%).

- Barring FTSE and US indices, other global indices ended lower. Investors await jobs report to gauge Fed's next move. The CME Fed watch tool points to a 64% chance of a rate cut in Mar'24. Nikkei declined the most, amongst other indices. Sensex slipped after a 7-day rally and was dragged by metal stocks. However, it is trading higher today; Asian stocks are trading mixed.

Fig 1 – Stock markets

	6-12-2023	7-12-2023	% change
Dow Jones	36,054	36,117	0.2
S & P 500	4,549	4,586	0.8
FTSE	7,515	7,514	0
Nikkei	33,446	32,858	(1.8)
Hang Seng	16,463	16,346	(0.7)
Shanghai Comp	2,969	2,966	(0.1)
Sensex	69,654	69,522	(0.2)
Nifty	20,938	20,901	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Except INR (flat), other global currencies ended higher against the dollar. DXY retreated (by 0.6%) ahead of the non-farm payrolls report. JPY surged after comments by BoJ Governor Ueda hinted of a possible phasing out of the long held ultra-loose monetary policy. INR is trading stronger today while other Asian currencies are trading mixed.

Fig 2 – Currencies

	6-12-2023	7-12-2023	% change
EUR/USD (1 EUR / USD)	1.0764	1.0794	0.3
GBP/USD (1 GBP / USD)	1.2560	1.2594	0.3
USD/JPY (JPY / 1 USD)	147.31	144.13	2.2
USD/INR (INR / 1 USD)	83.33	83.36	0
USD/CNY (CNY / 1 USD)	7.1606	7.1486	0.2

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. 10Y yields in Japan, US and UK inched up while they fell elsewhere. Japan's 10Y noted the sharpest increase as BoJ Governor hinted at moving away from negative rates. Investors also await US non-farm payroll report to gauge Fed's rate trajectory. India's 10Y yield fell by 1bps, awaiting RBI's monetary policy decision. It is trading flat today.

Fig 3 – Bond 10Y yield

	6-12-2023	7-12-2023	change in bps
US	4.10	4.15	5
UK	3.94	3.97	2
Germany	2.20	2.19	(1)
Japan	0.64	0.76	12
China	2.70	2.69	(1)
India	7.25	7.24	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	6-12-2023	7-12-2023	change in bps
Tbill-91 days	6.95	6.95	0
Tbill-182 days	7.15	7.15	0
Tbill-364 days	7.15	7.15	0
G-Sec 2Y	7.22	7.22	0
India OIS-2M	6.84	6.83	(1)
India OIS-9M	6.85	6.84	(2)
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.33	5.32	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	6-12-2023	7-12-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0	0.2	0.2
Reverse repo	0.2	0.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	5-12-2023	6-12-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	939.7	(119.4)	(1,059.0)
Debt	244.7	(143.4)	(388.1)
Equity	694.9	24.0	(670.9)
Mutual funds (Rs cr)	3,654.3	4,966.4	1,312.1
Debt	1,546.6	1,268.3	(278.3)
Equity	2,107.7	3,698.1	1,590.4

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 1 Dec and 4 Dec 2023

- Oil prices continue to decline as worries build up on Asian demand.

Fig 7 – Commodities

	6-12-2023	7-12-2023	% change
Brent crude (US\$/bbl)	74.3	74.1	(0.3)
Gold (US\$/ Troy Ounce)	2,025.6	2,028.5	0.1
Copper (US\$/ MT)	8,201.3	8,258.0	0.7
Zinc (US\$/MT)	2,419.4	2,391.5	(1.2)
Aluminium (US\$/MT)	2,148.5	2,132.5	(0.7)

Source: Bloomberg, Bank of Baroda Research



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