

MORNING MOCHA

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ECONOMIST
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Labour market data in the US showed some softening as non-farm payrolls rose by 209K (est.: 230k) in Jun'23. This is the weakest pace since Dec'20. However, wage growth remained sticky (average hourly earnings rose at the same pace of 0.4%, MoM basis). Thus, signalling that Fed fund rates are likely to remain elevated for some time. Elsewhere, in Germany, industrial production fell by 0.2% in May'23 from 0.3% increase in Apr'23. In China, PPI deflation (-5.4% in Jun'23 from -4.6% in May'23, YoY) deepened to its lowest in 7 years and CPI drooped to its 28-month low (0% from 0.2%). Both core PPI and CPI noticed a drop, reflecting weaker demand conditions. Thus, more stimulus on PBOC's front may be forthcoming. On domestic front, progress of monsoon has picked pace with cumulative rainfall at 2% above LPA (long period average) as of 9 July against a deficit of 8% last week.

- Global markets ended in red as investors tracked the key US jobs report. While the pace of job additions softened, wage growth remained robust. Investors now await corporate earnings results and US inflation report to assess the future path of rates. Nikkei declined the most by 1.2%, followed by Hang Seng which shed 0.9%. Sensex too dipped by 0.8%, amidst a fall in power and real estate stocks. However, it is trading higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	6-07-2023	7-07-2023	% change
Dow Jones	33,922	33,735	(0.6)
S & P 500	4,412	4,399	(0.3)
FTSE	7,281	7,257	(0.3)
Nikkei	32,773	32,388	(1.2)
Hang Seng	18,533	18,366	(0.9)
Shanghai Comp	3,206	3,197	(0.3)
Sensex	65,786	65,280	(0.8)
Nifty	19,497	19,332	(0.8)

Source: Bloomberg, Bank of Baroda Research

- Except INR (lower), other global currencies advanced against the dollar. DXY fell by 0.9% following jobs data. JPY gained by 1.3% as wage growth rose at its sharpest pace since 1995. INR depreciated by 0.3% as oil prices inched up. However, it is trading stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	6-07-2023	7-07-2023	% change
EUR/USD (1 EUR / USD)	1.0889	1.0967	0.7
GBP/USD (1 GBP / USD)	1.2740	1.2839	0.8
USD/JPY (JPY / 1 USD)	144.07	142.21	1.3
USD/INR (INR / 1 USD)	82.51	82.74	(0.3)
USD/CNY (CNY / 1 USD)	7.2488	7.2254	0.3

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. While UK 10Y yield closed a tad lower by 1bps despite BoE Governor's reiteration of that fact that abiding to the 2% inflation target is important for policy credibility. US 10Y yield rose by 3bps as wages remained sticky. China's 10Y yield closed stable eyeing inflation data. India's 10Y yield closed a tad higher by 1bps. It is trading at the same level today.

Fig 3 – Bond 10Y yield

	6-07-2023	7-07-2023	change in bps
US	4.03	4.06	3
UK	4.66	4.65	(1)
Germany	2.63	2.64	1
Japan	0.41	0.43	1
China	2.64	2.64	0
India	7.15	7.16	1

Source: Bloomberg, Bank of Baroda Research, 07.26 GS 2033 security taken for India

Fig 4 – Short term rates

	6-07-2023	7-07-2023	change in bps
Tbill-91 days	6.72	6.73	1
Tbill-182 days	6.82	6.77	(5)
Tbill-364 days	6.82	6.85	3
G-Sec 2Y	7.03	7.08	5
India OIS-2M	6.61	6.63	2
India OIS-9M	6.77	6.78	1
SONIA int rate benchmark	4.93	4.93	0
US SOFR	5.06	5.06	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	6-07-2023	7-07-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.4)	(1.8)	0.6
Reverse repo	1.0	0.1	(0.9)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	5-07-2023	6-07-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	321.2	431.3	110.1
Debt	42.6	87.8	45.2
Equity	278.7	343.6	64.9
Mutual funds (Rs cr)	878.2	559.6	(318.6)
Debt	1,206.2	847.7	(358.6)
Equity	(328.0)	(288.1)	39.9

Source: Bloomberg, Bank of Baroda Research | Mutual funds data as of 4 Jul and 5 Jul 2023

- Oil prices rose led by announcement of output cuts (Saudi Arabia and Russia).

Fig 7 – Commodities

	6-07-2023	7-07-2023	% change
Brent crude (US\$/bbl)	76.5	78.5	2.5
Gold (US\$/ Troy Ounce)	1,910.9	1,925.1	0.7
Copper (US\$/ MT)	8,246.0	8,360.5	1.4
Zinc (US\$/MT)	2,356.8	2,352.8	(0.2)
Aluminium (US\$/MT)	2,129.0	2,145.5	0.8

Source: Bloomberg, Bank of Baroda Research



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