

MORNING MOCHA

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Job openings data (JOLTS) for the US showed that openings dropped to 2.5 year low in Jul'23 to 8.83mn (est.: 9.45mn), down from 9.17mn in Jun'23. The decline was led by professional & business services sector, healthcare & social assistance, and state & local governments. In line with this trend, non-farm payrolls for Aug'23 are also expected to come down to 168k versus 187k additions in Jul'23. Weakness in labour market is also impacting consumer sentiment as conference board index fell to 106.1 in Aug'23 (est.: 116.2) from 114 in Jul'23. This is the lowest level since Nov'22. Consumer's 6-month ahead outlook for economy and labour market weakened, while inflation expectation gauge inched up for the 1st time in 5 months.

- Global indices ended higher as chances of Fed remaining on pause in Sep and Nov'23 have increased. Lower than expected job openings and faltering consumer confidence in the US indicates imminent slowdown in economy. Sensex too traded in green, led by realty, power and metal stocks. It is trading even higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	28-08-2023	29-08-2023	% change
Dow Jones	34,560	34,853	0.8
S & P 500	4,433	4,498	1.5
FTSE	7,339	7,465	1.7
Nikkei	32,170	32,227	0.2
Hang Seng	18,131	18,484	1.9
Shanghai Comp	3,099	3,136	1.2
Sensex	64,997	65,076	0.1
Nifty	19,306	19,343	0.2

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

- Except INR (lower), other global currencies ended higher against the dollar. DXY fell by 0.5%, as macro data from the US increased hopes of Fed not raising rates in Sep'23. Probability of rate hike in Nov'23 has also reduced (42%). INR fell by 0.1% as oil prices inched up. However, it is trading stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	28-08-2023	29-08-2023	% change
EUR/USD (1 EUR / USD)	1.0819	1.0880	0.6
GBP/USD (1 GBP / USD)	1.2602	1.2644	0.3
USD/JPY (JPY / 1 USD)	146.54	145.88	0.5
USD/INR (INR / 1 USD)	82.63	82.71	(0.1)
USD/CNY (CNY / 1 USD)	7.2889	7.2807	0.1

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

- Barring China (flat) and India (higher), other global yields fell sharply. 10Y yields in US (-8bps) and Germany (-5bps) fell the most. Weaker than expected US



jobs opening data and consumer confidence has raised hopes of Fed's rate hike pause in Sep'23 as well. India's 10Y yield was up by 1bps, as oil prices rose. However, following global cues, it is trading lower today at 7.16%.

Fig 3 – Bond 10Y yield

	28-08-2023	29-08-2023	change in bps
US	4.20	4.12	(8)
UK	4.44	4.42	(2)
Germany	2.56	2.51	(5)
Japan	0.66	0.65	(1)
China	2.59	2.59	0
India	7.18	7.19	1

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

Fig 4 – Short term rates

	28-08-2023	29-08-2023	change in bps
Tbill-91 days	6.76	6.80	4
Tbill-182 days	7.00	7.00	0
Tbill-364 days	7.02	7.01	(1)
G-Sec 2Y	7.10	7.12	3
India OIS-2M	6.77	6.75	(2)
India OIS-9M	6.96	6.96	0
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.30	5.30	0

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

Fig 5 – Liquidity

Rs tn	28-08-2023	29-08-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.3)	(0.4)	(0.1)
Reverse repo	0.2	0.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	25-08-2023	28-08-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(186.7)	325.3	512.1
Debt	19.7	25.6	5.9
Equity	(206.5)	299.7	506.2
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 22nd and 23rd Aug

- Global crude oil prices rose by 1.3%, after more than expected drawdown in US crude inventories, and over concerns of Hurricane in Gulf of Mexico.

Fig 7 – Commodities

	28-08-2023	29-08-2023	% change
Brent crude (US\$/bbl)	84.4	85.5	1.3
Gold (US\$/ Troy Ounce)	1,920.2	1,937.5	0.9
Copper (US\$/ MT)	8,319.3	8,411.0	1.1
Zinc (US\$/MT)	2,371.0	2,428.5	2.4
Aluminium (US\$/MT)	2,150.5	2,168.5	0.8

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



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