

## MORNING MOCHA

09 October 2023

ECONOMIST

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Investors assessed the US jobs report for Sep'23 as non-farm payrolls increased by 336,000 in the month, much more than was anticipated by the analysts.

Unemployment rate remained unchanged at 3.8%. Thus signalling resilience in the economy and the possibility of Fed continuing with higher for longer; keeping rates elevated with the objective to tackle inflation. This will further add pressure on the already battered treasury yields, which even touched the 16-year high mark during the session. On domestic front, RBI maintained status quo as it kept both rates and stance unchanged. It reiterated about the 4% inflation target band and stated MPC remain vigilant towards achieving the same. With this, the focus would turn towards industrial growth and inflation data scheduled to release this week.

- Except Nikkei, other global indices ended higher. US stocks gained after better than expected jobs report signalled strength in the economy. Amongst other indices, Hang Seng rose the most followed by S&P 500. European indices closed higher supported by gains in retail sector. Sensex advanced post RBI's decision to keep rates on hold. Power and consumer good stocks rose the most. It is trading lower today, while other Asian indices are trading mixed.

**Fig 1 – Stock markets**

	05-10-2023	06-10-2023	% change
Dow Jones	33,120	33,408	0.9
S & P 500	4,258	4,309	1.2
FTSE	7,452	7,495	0.6
Nikkei	31,075	30,995	(0.3)
Hang Seng	17,214	17,486	1.6
Shanghai Comp	3,107	3,110	0.1
Sensex	65,632	65,996	0.6
Nifty	19,546	19,654	0.6

Source: Bloomberg, Bank of Baroda Research, Markets in China were closed since 28 Sep

- Except JPY (weaker), other global currencies ended higher against the dollar. Despite a strong jobs report, DXY eased by 0.2%. EUR rose by 0.3% after a surprise increase in Germany's factory orders. JPY depreciated by 0.5% and remained near the possible intervention level of 150/\$. INR closed flat and is trading stronger today, while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	05-10-2023	06-10-2023	% change
EUR/USD (1 EUR / USD)	1.0550	1.0586	0.3
GBP/USD (1 GBP / USD)	1.2192	1.2237	0.4
USD/JPY (JPY / 1 USD)	148.51	149.32	(0.5)
USD/INR (INR / 1 USD)	83.26	83.25	0.0
USD/CNY (CNY / 1 USD)	7.3118	7.2980	0.2

Source: Bloomberg, Bank of Baroda Research, Markets in China were closed since 28 Sep



- Global bond market rout deepened further after a strong US jobs report. Non-farm payrolls in US rose by 336k in Sep'23, est. 170k, suggesting that rates are likely to remain higher for longer. US 10Y yield rose by 8bps to its highest since Aug'07. India's 10Y yield rose by 13bps (7.34%) after RBI said that it could opt for OMO sales to manage liquidity. It is trading at 7.4% today.

**Fig 3 – Bond 10Y yield**

	05-10-2023	06-10-2023	change in bps
US	4.72	4.80	8
UK	4.54	4.57	3
Germany	2.88	2.88	1
Japan	0.81	0.81	(1)
China	2.69	2.68	(1)
India	7.22	7.34	13

Source: Bloomberg, Bank of Baroda Research , Markets in China were closed since 28 Sep

**Fig 4 – Short term rates**

	05-10-2023	06-10-2023	change in bps
Tbill-91 days	6.84	6.86	2
Tbill-182 days	7.06	7.06	0
Tbill-364 days	7.11	7.10	(1)
G-Sec 2Y	7.18	7.33	15
India OIS-2M	6.88	6.86	(2)
India OIS-9M	7.05	7.01	(4)
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.32	5.32	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	05-10-2023	06-10-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.3	0	(0.3)
Reverse repo	0.1	0	(0.1)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	04-10-2023	05-10-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(241.8)	67.6	309.4
Debt	103.4	168.1	64.7
Equity	(345.3)	(100.5)	244.8
Mutual funds (Rs cr)	3,793.5	2,393.8	(1,399.7)
Debt	2,097.9	1,255.1	(842.8)
Equity	1,695.6	1,138.7	(556.9)

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as on 3<sup>rd</sup> and 4<sup>th</sup> Oct

- Oil prices rose by 0.6% despite some demand concerns.

**Fig 7 – Commodities**

	05-10-2023	06-10-2023	% change
Brent crude (US\$/bbl)	84.1	84.6	0.6
Gold (US\$/ Troy Ounce)	1,820.3	1,833.0	0.7
Copper (US\$/ MT)	7,823.8	7,971.3	1.9
Zinc (US\$/MT)	2,450.3	2,481.8	1.3
Aluminium (US\$/MT)	2,232.0	2,239.5	0.3

Source: Bloomberg, Bank of Baroda Research



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