

## MORNING MOCHA

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Global markets remained on edge as investors keenly await guidance on future rate trajectory at Jackson Hole. With growth momentum in EU and UK slowing down significantly, expectations of further rate hikes are dwindling. On the other hand, US economy is in a better space. Recent data showed that while both manufacturing and services activity slipped in Aug'23, labour market continues to remain strong. The job for the Fed hence seems challenging, with two Fed officials favouring a hawkish pause. In Japan, core CPI inflation in Tokyo eased further, but remained well above BoJ's target at 2.8% in Aug'23. Minutes of RBI's last meeting suggest that while members were optimistic on growth, they remained wary of risks to the inflation outlook. Risks to the inflation outlook remain from uneven rainfall and El-Nino which will require careful monitoring by RBI.

- Global stocks closed mixed. Investors remained cautious tracking Fed officials' comments as well as tight labour market data in US. Two Fed officials spoke of a hawkish pause. Asian stocks rose amidst hopes of more stimulus in China. Sensex fell by 0.3%, led by losses in metal and consumer durables stocks. It is trading further lower today, in line with other Asian stocks.

**Fig 1 – Stock markets**

	23-08-2023	24-08-2023	% change
Dow Jones	34,473	34,099	(1.1)
S & P 500	4,436	4,376	(1.3)
FTSE	7,321	7,334	0.2
Nikkei	32,010	32,287	0.9
Hang Seng	17,846	18,212	2.1
Shanghai Comp	3,078	3,082	0.1
Sensex	65,433	65,252	(0.3)
Nifty	19,444	19,387	(0.3)

Source: Bloomberg, Bank of Baroda Research

- Except INR and CNY, other global currencies ended weaker. DXY rose by 0.5% as US jobless claims fell more than expected last week suggesting continued tightness in the labour market. GBP depreciated the most by 1% even as GfK's consumer confidence index for UK picked up. INR appreciated supported by FPI inflows. However, it is trading weaker today, in line with other Asian currencies.

**Fig 2 – Currencies**

	23-08-2023	24-08-2023	% change
EUR/USD (1 EUR / USD)	1.0863	1.0810	(0.5)
GBP/USD (1 GBP / USD)	1.2727	1.2602	(1.0)
USD/JPY (JPY / 1 USD)	144.84	145.83	(0.7)
USD/INR (INR / 1 USD)	82.68	82.58	0.1
USD/CNY (CNY / 1 USD)	7.2785	7.2799	0

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. UK's 10Y yield fell by 4bps as retail sales data softened considerably in Aug'23. Germany's 10Y yield closed flat monitoring comments from ECB's Governing Council member about a more data dependent approach. US 10Y yield rose by 5bps ahead of Fed Chair's speech. India's 10Y yield closed flat and is trading at the same level today.

**Fig 3 – Bond 10Y yield**

	23-08-2023	24-08-2023	change in bps
US	4.19	4.24	5
UK	4.47	4.43	(4)
Germany	2.52	2.51	0
Japan	0.67	0.66	(2)
China	2.55	2.55	0
India	7.19	7.20	0

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	23-08-2023	24-08-2023	change in bps
Tbill-91 days	6.85	6.80	(5)
Tbill-182 days	7.03	7.00	(3)
Tbill-364 days	7.05	7.03	(2)
G-Sec 2Y	7.13	7.11	(2)
India OIS-2M	6.77	6.78	1
India OIS-9M	6.96	6.98	2
SONIA int rate benchmark	5.18	5.19	0
US SOFR	5.30	5.30	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	23-08-2023	24-08-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.2	(0.3)	(0.5)
Reverse repo	0.3	0.3	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	22-08-2023	23-08-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(270.6)	117.5	388.1
Debt	(257.5)	8.8	266.3
Equity	(13.1)	108.7	121.8
Mutual funds (Rs cr)	1,001.9	563.4	(438.5)
Debt	291.1	75.9	(215.2)
Equity	710.8	487.5	(223.3)

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 2<sup>nd</sup> and 3<sup>rd</sup> Aug

- Oil prices rose by 0.2% amidst reports of falling gas oil stocks in Europe.

**Fig 7 – Commodities**

	23-08-2023	24-08-2023	% change
Brent crude (US\$/bbl)	83.2	83.4	0.2
Gold (US\$/ Troy Ounce)	1,915.5	1,916.9	0.1
Copper (US\$/ MT)	8,424.3	8,326.5	(1.2)
Zinc (US\$/MT)	2,351.3	2,377.8	1.1
Aluminium (US\$/MT)	2,179.5	2,157.5	(1.0)

Source: Bloomberg, Bank of Baroda Research



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