

## MORNING MOCHA

31 August 2023

ECONOMIST  
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Macro data from major economies once again fuelled fears of a slowdown in growth. In US, private payrolls (177k versus est. 195k) and second revised estimates of Q2CY23 GDP (2.1% versus est. 2.4%) missed market expectations. Markets have now pared back expectations of a rate hike by Fed in Nov'23. In China, while the official manufacturing rose to 49.7 in Aug'23 from 49.3, it continued to remain in the contractionary zone. On the positive side, new orders picked up. Non-manufacturing PMI slipped to 51.0 from 51.5 in Jul'23 amidst a decline in services activity. The data underscores the need for more stimulus, as growth picture still remains hazy. In EU, consumer confidence index fell to -16 from -15.1. Even in UK, signs of slowdown were imminent from a sharp moderation in growth in consumer credit and mortgage approvals. In Japan, industrial production fell by 2% versus an increase of 2.4% in Jul'23. Retail sales however picked up to 2.1% after declining by 0.4% in Jul'23.

- Global stocks remained cautious tracking softening GDP print in the US. This has raised bets that peak in the policy rate might be nearing. Hence, stocks in the US edged up. Asian stocks such as Hang Seng and Shanghai Comp looked for cues amidst some worries in China's property sector. Sensex is trading higher today, while Asian stocks are trading mixed, after China's PMI data.

**Fig 1 – Stock markets**

	29-08-2023	30-08-2023	% change
Dow Jones	34,853	34,890	0.1
S & P 500	4,498	4,515	0.4
FTSE	7,465	7,474	0.1
Nikkei	32,227	32,333	0.3
Hang Seng	18,484	18,483	0
Shanghai Comp	3,136	3,137	0
Sensex	65,076	65,087	0
Nifty	19,343	19,347	0

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY fell by 0.4%, after weaker than expected macro data from US. Both EUR and GBP rose. On the other hand, CNY slipped amidst lingering growth concerns. JPY too was under pressure. INR closed broadly stable. However, it is trading stronger today, in line with its Asian peers.

**Fig 2 – Currencies**

	29-08-2023	30-08-2023	% change
EUR/USD (1 EUR / USD)	1.0880	1.0923	0.4
GBP/USD (1 GBP / USD)	1.2644	1.2721	0.6
USD/JPY (JPY / 1 USD)	145.88	146.24	(0.2)
USD/INR (INR / 1 USD)	82.71	82.73	0
USD/CNY (CNY / 1 USD)	7.2807	7.2870	(0.1)

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. Germany's 10Y yield rose the most by 4bps monitoring CPI data. US 10Y yield fell a tad by 1bps tracking moderation in GDP data. Even comments from former Fed President Eric S. Rosengren remained dovish. India's 10Y yield closed flat. It is trading a tad lower at 7.18% today.

**Fig 3 – Bond 10Y yield**

	29-08-2023	30-08-2023	change in bps
US	4.12	4.11	(1)
UK	4.42	4.42	0
Germany	2.51	2.55	4
Japan	0.65	0.65	0
China	2.59	2.58	(1)
India	7.19	7.19	0

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	29-08-2023	30-08-2023	change in bps
Tbill-91 days	6.80	6.81	1
Tbill-182 days	7.00	7.01	1
Tbill-364 days	7.01	7.03	2
G-Sec 2Y	7.12	7.15	2
India OIS-2M	6.75	6.73	(2)
India OIS-9M	6.96	6.95	(1)
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.30	5.30	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	29-08-2023	30-08-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.4)	(0.5)	(0.1)
Reverse repo	0.2	0.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	28-08-2023	29-08-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	325.3	262.9	(62.4)
Debt	25.6	167.0	141.4
Equity	299.7	95.9	(203.8)
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 22<sup>nd</sup> and 23<sup>rd</sup> Aug

- Oil prices rose by 0.4% amidst considerable drawdown in US inventories.

**Fig 7 – Commodities**

	29-08-2023	30-08-2023	% change
Brent crude (US\$/bbl)	85.5	85.9	0.4
Gold (US\$/ Troy Ounce)	1,937.5	1,942.3	0.2
Copper (US\$/ MT)	8,411.0	8,445.6	0.4
Zinc (US\$/MT)	2,428.5	2,417.3	(0.5)
Aluminium (US\$/MT)	2,168.5	2,201.5	1.5

Source: Bloomberg, Bank of Baroda Research



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