

## MORNING MOCHA

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ECONOMIST  
Dipanwita Mazumdar

Sell off in the bond market continued with US 10Y yield rising by 12bps to its highest level since 2007. Markets remained jittery over tighter liquidity conditions which exacerbated the selling pressure. Even Fed official Raphael Bostic reiterated the need for tighter policy. Equity markets also took the beating. Elsewhere, Yen's movement was keenly watched after Japan's Finance Minister spoke of closely monitoring the currency market. In terms of macro data releases, US JOLTS job opening rose more than expected to 9610k (est.: 8815k). UK's BRC shop Index showed some degree of moderation to 6.2% in Sep'23 from 6.9% in Aug'23, providing slight respite on inflation. Japan's services activity slightly rose above last month's level to 53.8. On domestic front, World Bank in its recent update said that amidst global uncertainty Indian economy has maintained its resilience and is expected to grow by 6.3% in the current FY.

- Global stocks witnessed a broad-based sell-off as higher than expected job openings in US, supported the narrative of higher for longer rates by the Fed. Stocks in Hong Kong, Japan and US fell sharply. Sensex too declined by 0.5%, in line with global cues. Oil and gas and auto stocks fell the most. It is trading further lower today, in line with other Asian markets.

**Fig 1 – Stock markets**

	02-10-2023	03-10-2023	% change
Dow Jones	33,433	33,002	(1.3)
S & P 500	4,288	4,229	(1.4)
FTSE	7,511	7,470	(0.5)
Nikkei	31,760	31,238	(1.6)
Hang Seng	17,810	17,331	(2.7)
Shanghai Comp	3,107	3,110	0.1
Sensex	65,828	65,512	(0.5)
Nifty	19,638	19,529	(0.6)

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

- DXY advanced to an 11-month high supported by better than expected labour market data. Most global currencies were lower. INR tethered near its record low led by FPI outflows. JPY appreciated by 0.6% amidst chatter of intervention. INR is trading further weaker today, in line with other Asian currencies.

**Fig 2 – Currencies**

	02-10-2023	03-10-2023	% change
EUR/USD (1 EUR / USD)	1.0477	1.0467	(0.1)
GBP/USD (1 GBP / USD)	1.2087	1.2077	(0.1)
USD/JPY (JPY / 1 USD)	149.86	149.02	0.6
USD/INR (INR / 1 USD)	83.04	83.21	(0.2)
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



- Except Japan and China (a tad lower), global yields closed higher. US 10Y yield rose the most by 12bps. This was followed by tighter labour market data, thus raising hopes of higher for longer rates to prevent overheating. Germany's 10Y yield also rose by 5bps tracking comments from ECB's Vice President. India's 10Y yield rose by 2bps taking global cues. It is trading at 7.25% today.

**Fig 3 – Bond 10Y yield**

	02-10-2023	03-10-2023	change in bps
US	4.68	4.80	12
UK	4.56	4.60	3
Germany	2.92	2.97	5
Japan	0.78	0.77	(1)
China	2.69	2.68	(1)
India	7.22	7.23	2

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

**Fig 4 – Short term rates**

	02-10-2023	03-10-2023	change in bps
Tbill-91 days	6.80	6.86	6
Tbill-182 days	7.03	6.96	(7)
Tbill-364 days	7.02	7.01	(1)
G-Sec 2Y	7.21	7.18	(3)
India OIS-2M	6.83	6.85	1
India OIS-9M	7.05	7.07	2
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.31	5.32	1

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	02-10-2023	03-10-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.9	0.4	(0.5)
Reverse repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	27-09-2023	28-09-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(291.3)	(241.5)	49.8
Debt	(28.2)	103.3	131.5
Equity	(263.1)	(344.9)	(81.8)
Mutual funds (Rs cr)	(2,052.9)	(782.7)	1,270.2
Debt	(3,458.2)	(793.9)	2,664.2
Equity	1,405.2	11.2	(1,394.0)

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as on 26<sup>th</sup> and 27<sup>th</sup> Sep

- Oil prices edged up by 0.2% ahead of OPEC+ meeting.

**Fig 7 – Commodities**

	02-10-2023	03-10-2023	% change
Brent crude (US\$/bbl)	90.7	90.9	0.2
Gold (US\$/ Troy Ounce)	1,828.0	1,823.0	(0.3)
Copper (US\$/ MT)	7,978.0	7,929.0	(0.6)
Zinc (US\$/MT)	2,581.0	2,473.0	(4.2)
Aluminium (US\$/MT)	2,321.0	2,290.0	(1.3)

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

**Chief Economist**

Bank of Baroda

[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)