

MORNING MOCHA

05 January 2024

ECONOMIST
Sonal Badhan

Better than expected labour market data from the US has pushed global yields back up. The yield gap between short-term and long-term US securities narrowed. Initial jobless claims in the US fell by 18k to 202k (est.: 215k) for the week ending 30 Dec'23. Even private payrolls data (ADP) indicate that employment went up by 164k (est.: 115k) in Dec'23 from 101k in Nov'23—posting fastest increase since Aug'23. Markit PMI data shows that services sector activity continued to expand in Dec'23 at faster pace in the US and UK, while it remained in contraction in Eurozone (led by France and Germany). Solid economic data from the US has raised uncertainty around timing of Fed's rate cut, with CME Fed Watch Tool suggesting that chances of no rate cut in Mar'24 have gone up to 35% from 13% a week ago. Nearly 60% chances are still priced in for 25bps rate cut.

- Global indices ended mixed. Investors monitored US ADP jobs report which came in stronger than expected (companies added 1,64,000 jobs in Dec'23) Additionally the weekly jobless claims data was also lower than anticipated, signalling labour market remains tight. Sensex ended higher led by sharp gains in real estate stocks. It is trading higher today in line with other Asian indices.

Fig 1 – Stock markets

	3-1-2024	4-1-2024	% change
Dow Jones	37,430	37,440	0
S & P 500	4,705	4,689	(0.3)
FTSE	7,682	7,723	0.5
Nikkei	33,464	33,288	(0.5)
Hang Seng	16,646	16,646	0
Shanghai Comp	2,967	2,954	(0.4)
Sensex	71,357	71,848	0.7
Nifty	21,517	21,659	0.7

Source: Bloomberg, Bank of Baroda Research| Note: Markets in Japan were closed until 3 Jan 2024

- Except JPY and CNY, other global currencies closed higher. DXY retreated marginally despite scaled back expectations of aggressive rate cuts by Fed. Investors will closely await US jobs report for more cues, given signals of tight labour market. INR ended stronger led by fall in oil prices. It is trading stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	3-1-2024	4-1-2024	% change
EUR/USD (1 EUR / USD)	1.0922	1.0945	0.2
GBP/USD (1 GBP / USD)	1.2665	1.2682	0.1
USD/JPY (JPY / 1 USD)	143.29	144.63	(0.9)
USD/INR (INR / 1 USD)	83.29	83.23	0.1
USD/CNY (CNY / 1 USD)	7.1494	7.1608	(0.2)

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed, with yields in Asia ending flat/lower, while US and Europe they inched up. US 10Y yield rose by 8bps as better than expected labour market data has raised doubts on timing of Fed's rate cuts. India's 10Y yield ended flat, as oil prices fell. However, following global cues, it is trading a tad higher today at 7.23%.

Fig 3 – Bond 10Y yield

	3-1-2024	4-1-2024	change in bps
US	3.92	4.00	8
UK	3.64	3.73	9
Germany	2.02	2.12	10
Japan	0.61	0.62	0
China	2.56	2.54	(1)
India	7.22	7.22	0

Source: Bloomberg, Bank of Baroda Research| Note: Markets in Japan were closed until 3 Jan 2024

Fig 4 – Short term rates

	3-1-2024	4-1-2024	change in bps
Tbill-91 days	6.93	6.89	(4)
Tbill-182 days	7.14	7.11	(3)
Tbill-364 days	7.11	7.11	0
G-Sec 2Y	7.07	7.06	(1)
India OIS-2M	6.80	6.79	0
India OIS-9M	6.70	6.70	0
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.40	5.39	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	3-1-2024	4-1-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	1.2	1.1	(0.1)
Reverse repo	0	0	0
Repo	1.3	1.3	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	2-1-2024	3-1-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	305.4	35.5	(269.9)
Debt	114.0	104.1	(9.9)
Equity	191.4	(68.6)	(260.0)
Mutual funds (Rs cr)	786.1	537.4	(248.7)
Debt	(102.6)	1,861.8	1,964.4
Equity	888.7	(1,324.4)	(2,213.1)

Source: Bloomberg, Bank of Baroda Research| Note: Mutual fund data as of 1 Jan 2024 and 2 Jan 2024

- Oil prices fell as US EIA data indicated significant build up in inventories.

Fig 7 – Commodities

	3-1-2024	4-1-2024	% change
Brent crude (US\$/bbl)	78.3	77.6	(0.8)
Gold (US\$/ Troy Ounce)	2,041.5	2,043.7	0.1
Copper (US\$/ MT)	8,418.5	8,367.8	(0.6)
Zinc (US\$/MT)	2,565.0	2,516.5	(1.9)
Aluminium (US\$/MT)	2,312.5	2,281.0	(1.4)

Source: Bloomberg, Bank of Baroda Research



Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at



For further details about this publication, please contact:

Chief Economist

Bank of Baroda

chief.economist@bankofbaroda.com