

MORNING MOCHA

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ECONOMIST
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Additions to non-farm payrolls in the US rose more than expected (195k) in May'23 to 339k from 294k in Apr'23. However, unemployment rate also rose, to 3.7% (highest since Oct'22) from 3.4% in the previous month. Mixed signals from US (labour market, manufacturing activity), has raised the probability (70%) of Fed entering wait and watch mode by opting for a pause in Jun'23. In Asia, South Korea's Q1CY23 GDP was left unrevised on QoQ basis (+0.3%), while on YoY basis it was revised upward to 0.9% (0.8% earlier)—still it's the weakest rate of growth since Q4CY20. On Sunday, OPEC+ decided for no involuntary change in production cuts in CY23, and to limit production to 40.5mn bbl/day in CY24. However, voluntary production cuts were announced by the members (1.16mn bbl/day) till end of CY23.

- Global indices ended higher following a stellar increase in US non-farm payrolls. Investor sentiments were also buoyed by passage of US debt ceiling. Hang Seng rose the most by 4%, led by gains in realty and consumer stocks. Dow Jones too ended higher by 2.1%. Sensex rose by 0.2%, led by metal and real estate stocks. Though, it is trading higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	1-06-2023	2-06-2023	% change
Dow Jones	33,062	33,763	2.1
S & P 500	4,221	4,282	1.5
FTSE	7,490	7,607	1.6
Nikkei	31,148	31,524	1.2
Hang Seng	18,217	18,950	4.0
Shanghai Comp	3,205	3,230	0.8
Sensex	62,429	62,547	0.2
Nifty	18,488	18,534	0.3

Source: Bloomberg, Bank of Baroda Research

- Except INR, other global currencies closed broadly lower against the dollar. DXY rose by 0.4% following a stronger than expected payrolls report. JPY fell the most by 0.8%, followed by a 0.6% drop in GBP. EUR too fell, despite better rebound in industrial production in France. INR bucked the trend and rose by 0.1%, supported by FPI inflows. However, it is trading lower today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	1-06-2023	2-06-2023	% change
EUR/USD (1 EUR / USD)	1.0762	1.0708	(0.5)
GBP/USD (1 GBP / USD)	1.2526	1.2453	(0.6)
USD/JPY (JPY / 1 USD)	138.80	139.92	(0.8)
USD/INR (INR / 1 USD)	82.41	82.30	0.1
USD/CNY (CNY / 1 USD)	7.0976	7.0986	0

Source: Bloomberg, Bank of Baroda Research



- Barring Japan (lower) and India (flat), other global yields ended higher. 10Y yields in US, Germany and UK rose the most. Additions to US non-farm payrolls surprised on the upside, reviving hopes of elevated rates in the US for long. India's 10Y ended flat, however, it is trading higher today at 7%.

Fig 3 – Bond 10Y yield

	1-06-2023	2-06-2023	change in bps
US	3.60	3.69	10
UK	4.12	4.16	4
Germany	2.25	2.31	6
Japan	0.42	0.41	(1)
China	2.70	2.72	1
India	6.98	6.98	0

Source: Bloomberg, Bank of Baroda Research, 07.26 GS 2033 security taken for India

Fig 4 – Short term rates

	1-06-2023	2-06-2023	change in bps
Tbill-91 days	6.74	6.72	(2)
Tbill-182 days	6.85	6.85	0
Tbill-364 days	6.87	6.87	0
G-Sec 2Y	6.84	6.83	(1)
India OIS-2M	6.54	6.53	0
India OIS-9M	6.58	6.58	0
SONIA int rate benchmark	4.43	4.43	0
US SOFR	5.08	5.08	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	1-06-2023	2-06-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.4)	(2.4)	0
Reverse repo	0.5	0	(0.5)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	31-05-2023	1-06-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	451.5	325.4	(126.1)
Debt	(12.6)	3.8	16.4
Equity	464.2	321.6	(142.5)
Mutual funds (Rs cr)	(283.2)	68.5	351.7
Debt	(386.6)	58.5	445.1
Equity	103.4	10.0	(93.5)

Source: Bloomberg, Bank of Baroda Research | Mutual funds data as of 30 and 31 May 2023

- Global oil prices rose by another 2.5% to US\$ 76/bbl, following the approval of US debt ceiling deal and awaiting Fed's decision in its Jun'23 policy meeting.

Fig 7 – Commodities

	1-06-2023	2-06-2023	% change
Brent crude (US\$/bbl)	74.3	76.1	2.5
Gold (US\$/ Troy Ounce)	1,977.6	1,948.0	(1.5)
Copper (US\$/ MT)	8,240.0	8,233.5	(0.1)
Zinc (US\$/MT)	2,250.3	2,301.0	2.3
Aluminium (US\$/MT)	2,282.5	2,263.5	(0.8)

Source: Bloomberg, Bank of Baroda Research



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