

MORNING MOCHA

05 October 2023

ECONOMIST
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Some correction was visible in global equity and bond markets led by softening macros worldwide. US 10Y yield closed 6bps lower compared to its last session. This was supported by weaker than expected ADP employment change data which came in at 89K (est.: 150K). Durable goods orders came a tad less than expected at 0.1% (est.: 0.2%). Even ISM services index was lower at 53.6 compared to last month's level of 54.5. Elsewhere even in the Eurozone, the Composite PMI remained well below the 50 mark at 47.2. Deteriorating demand conditions both in the manufacturing and services sector resulted in the same. Retail sales of the region also fell at a sharper pace than anticipated by 1.2% (est.: -0.5%). On domestic front, all eyes are on RBI policy decision where a hawkish pause is expected.

- Global indices were mixed watching a slew of macro data releases from US. JP Morgan's global services PMI index moderated to an 8-month low in Sep'23, amidst a broad based slowdown in services activity across the globe. While equity markets in US rose, stocks in Asia were lower, led by Japan. Sensex fell by 0.4%, amidst sharp losses in metal and real estate stocks. However, it is trading higher today, in line with other Asian markets.

Fig 1 – Stock markets

	03-10-2023	04-10-2023	% change
Dow Jones	33,002	33,130	0.4
S & P 500	4,229	4,264	0.8
FTSE	7,470	7,412	(0.8)
Nikkei	31,238	30,527	(2.3)
Hang Seng	17,331	17,196	(0.8)
Shanghai Comp	3,107	3,110	0.1
Sensex	65,512	65,226	(0.4)
Nifty	19,529	19,436	(0.5)

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

- DXY retreated after lower than expected job additions (ADP) and a moderation in ISM non-manufacturing PMI. As a result, EUR gained against the dollar despite weak macro data (retail sales and services PMI). JPY and INR were a tad weaker. Asian currencies, including INR are trading stronger today.

Fig 2 – Currencies

	03-10-2023	04-10-2023	% change
EUR/USD (1 EUR / USD)	1.0467	1.0504	0.4
GBP/USD (1 GBP / USD)	1.2077	1.2135	0.5
USD/JPY (JPY / 1 USD)	149.02	149.12	(0.1)
USD/INR (INR / 1 USD)	83.21	83.24	(0.0)
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 (higher) and India (stable), global yields closed lower. US 10Y yield fell by 6bps monitoring some moderation in private payroll data. Germany's 10Y yield fell by 5bps as composite PMI data remained below the 50-expansion mark. Japan's 10Y yield rose by 4bps watching the movement in yen. India's 10Y yield closed stable at 7.24%. It is trading at 7.25% today.

Fig 3 – Bond 10Y yield

	03-10-2023	04-10-2023	change in bps
US	4.80	4.73	(6)
UK	4.60	4.58	(2)
Germany	2.97	2.92	(5)
Japan	0.77	0.81	4
China	2.69	2.68	(1)
India	7.23	7.24	0

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

Fig 4 – Short term rates

	03-10-2023	04-10-2023	change in bps
Tbill-91 days	6.86	6.84	(2)
Tbill-182 days	6.96	7.08	12
Tbill-364 days	7.01	7.10	9
G-Sec 2Y	7.21	7.18	(3)
India OIS-2M	6.85	6.89	4
India OIS-9M	7.07	7.08	1
SONIA int rate benchmark	5.19	5.19	(0)
US SOFR	5.32	5.33	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	03-10-2023	04-10-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.4	0.5	0.1
Reverse repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	28-09-2023	3-10-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(241.8)	67.6	309.4
Debt	103.4	168.1	64.7
Equity	(345.3)	(100.5)	244.8
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 26th and 27th Sep

- Oil prices slipped amidst concerns over demand outlook after weak PMI data.

Fig 7 – Commodities

	03-10-2023	04-10-2023	% change
Brent crude (US\$/bbl)	90.9	85.8	(5.6)
Gold (US\$/ Troy Ounce)	1,823.0	1,821.4	(0.1)
Copper (US\$/ MT)	7,929.0	7,875.0	(0.7)
Zinc (US\$/MT)	2,473.0	2,464.0	(0.4)
Aluminium (US\$/MT)	2,290.0	2,246.5	(1.9)

Source: Bloomberg, Bank of Baroda Research



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