

MORNING MOCHA

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ECONOMIST
Sonal Badhan

Macro data from the US showed signs of slowdown with loosening labour market and easing services activity. Non-farm payroll additions in Oct'23 rose by only 150k versus est.: 180k and also lower compared with downwardly revised figure of 297k for Sep'23. Manufacturing and transport & warehousing sector reported job losses in Oct'23. Unemployment rate also inched up from 3.8% in Sep'23 to 3.9% in Oct'23. Further, ISM services index showed that PMI eased to 51.8 last month (est.: 53) from 53.6 in Sep'23. Analysts now expect Fed to remain on hold in its Dec'23 meeting as well. Elsewhere, PMI data shows that in Australia and UK, service sector activity contracted at a slower pace in Oct'23, while in India it moderated but still remains in the expansion zone (58.4 versus 61). In China, activity showed signs of improvement (50.4 versus 50.2), but missed analyst estimates (51).

- Apart from FTSE, other global indices ended higher. Expectation of Fed and other major central banks holding rates for the remaining part of CY23, and positive macro data from China (services PMI) buoyed the equity markets higher. Sensex too ended in green, led by gains in realty and consumer durables stocks. It is trading further higher today, in line with other Asian stocks.

Fig 1 – Stock markets

| | 2-11-2023 | 3-11-2023 | % change |
|---------------|-----------|-----------|----------|
| Dow Jones | 33,839 | 34,061 | 0.7 |
| S & P 500 | 4,318 | 4,358 | 0.9 |
| FTSE | 7,447 | 7,418 | (0.4) |
| Nikkei | 31,602 | 31,950 | 1.1 |
| Hang Seng | 17,231 | 17,664 | 2.5 |
| Shanghai Comp | 3,009 | 3,031 | 0.7 |
| Sensex | 64,081 | 64,364 | 0.4 |
| Nifty | 19,133 | 19,231 | 0.5 |

Source: Bloomberg, Bank of Baroda Research

- Most global currencies closed higher against the dollar. GBP and EUR gained the most. DXY fell by 1%, as softer than expected macro data (jobs and services PMI) reaffirmed the views that Fed may remain on pause for now. INR ended flat even as oil prices declined. It is trading lower today, in line with other Asian currencies.

Fig 2 – Currencies

| | 2-11-2023 | 3-11-2023 | % change |
|-----------------------|-----------|-----------|----------|
| EUR/USD (1 EUR / USD) | 1.0622 | 1.0731 | 1.0 |
| GBP/USD (1 GBP / USD) | 1.2203 | 1.2380 | 1.5 |
| USD/JPY (JPY / 1 USD) | 150.45 | 149.39 | 0.7 |
| USD/INR (INR / 1 USD) | 83.25 | 83.29 | 0 |
| USD/CNY (CNY / 1 USD) | 7.3143 | 7.2754 | 0.5 |

Source: Bloomberg, Bank of Baroda Research



- Barring Japan and China, other sovereign yields dropped sharply, led by US and UK. Softer than expected job additions in the US have raised hopes of Fed remaining on hold in Dec'23 as well. India's 10Y yield was also down a tad, as oil prices fell. However, it is trading higher today at 7.34%.

Fig 3 – Bond 10Y yield

| | 2-11-2023 | 3-11-2023 | change in bps |
|---------|-----------|-----------|---------------|
| US | 4.66 | 4.57 | (9) |
| UK | 4.38 | 4.29 | (9) |
| Germany | 2.72 | 2.65 | (7) |
| Japan | 0.93 | 0.93 | 0 |
| China | 2.66 | 2.67 | 1 |
| India | 7.32 | 7.31 | (1) |

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

| | 2-11-2023 | 3-11-2023 | change in bps |
|--------------------------|-----------|-----------|---------------|
| Tbill-91 days | 6.91 | 6.90 | (1) |
| Tbill-182 days | 7.07 | 7.04 | (3) |
| Tbill-364 days | 7.13 | 7.13 | 0 |
| G-Sec 2Y | 7.29 | 7.28 | (1) |
| India OIS-2M | 6.80 | 6.80 | 0 |
| India OIS-9M | 6.89 | 6.87 | (2) |
| 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 | 2-11-2023 | 3-11-2023 | change (Rs tn) |
|-----------------------------------|-----------|-----------|----------------|
| Net Liquidity (-Surplus/+deficit) | 0.2 | (0.1) | (0.3) |
| Reverse repo | 0.1 | 0 | (0.1) |
| Repo | 0 | 0 | 0 |

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

| | 1-11-2023 | 2-11-2023 | change (US\$ mn/Rs cr) |
|----------------------|-----------|-----------|------------------------|
| FII (US\$ mn) | (204.4) | (11.0) | 193.4 |
| Debt | 10.7 | 131.7 | 121.1 |
| Equity | (215.0) | (142.7) | 72.3 |
| Mutual funds (Rs cr) | (1,406.4) | (1,448.9) | (42.5) |
| Debt | (1,754.9) | (2,405.3) | (650.5) |
| Equity | 348.4 | 956.4 | 608.0 |

Source: Bloomberg, Bank of Baroda Research Note: Mutual fund data as of 17th and 18th Oct 2023

- Oil prices fell 2.3% owing to supply side concerns emerging from geo-political tensions in the Middle East.

Fig 7 – Commodities

| | 2-11-2023 | 3-11-2023 | % change |
|-------------------------|-----------|-----------|----------|
| Brent crude (US\$/bbl) | 86.9 | 84.9 | (2.3) |
| Gold (US\$/ Troy Ounce) | 1,985.8 | 1,992.7 | 0.3 |
| Copper (US\$/ MT) | 8,064.0 | 8,095.7 | 0.4 |
| Zinc (US\$/MT) | 2,466.2 | 2,515.5 | 2.0 |
| Aluminium (US\$/MT) | 2,227.5 | 2,254.0 | 1.2 |

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