

MORNING MOCHA

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ECONOMIST

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Correction in global yields continued. In the US, jobless claims data came in less than expected at 207K (est.: 210K). However, all eyes are on the payroll number which is expected to soften a bit to 170K compared to previous month's level of 187K. Whether it will be on expected lines or a discordant narrative will be seen, will hold the cue for movement of major asset classes. Elsewhere, in Germany both exports and imports fell more than expected by 1.2% and 0.4% respectively in Aug'23, on sequential basis. IMF's Managing Director spoke of higher chances of avoiding recession and pitched in for soft landing. Further, inflation in some countries is expected to be above the target until 2025. On domestic front, RBI's policy decision and narrative on liquidity will guide markets.

- Except US, global stocks ended higher. Markets found comfort from lower oil prices and a reversal in global bond markets sell-off. Nikkei rose the most by 1.8%. US stocks were lower ahead of the key jobs report. Sensex snapped its 2-day losing streak and ended higher by 0.6%. Capital goods and consumer durables stocks rose the most. It is trading further higher today, in line with other Asian markets.

Fig 1 – Stock markets

	04-10-2023	05-10-2023	% change
Dow Jones	33,130	33,120	0
S & P 500	4,264	4,258	(0.1)
FTSE	7,412	7,452	0.5
Nikkei	30,527	31,075	1.8
Hang Seng	17,196	17,214	0.1
Shanghai Comp	3,107	3,110	0.1
Sensex	65,226	65,632	0.6
Nifty	19,436	19,546	0.6

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

- Global currencies ended stronger against the dollar. DXY fell by 0.4% as investors focussed on US non-farm payrolls data due later today. GBP gained the most by 0.5%, followed by a 0.4% gain in both EUR and JPY. INR ended flat. It is trading stronger today in line with other Asian currencies.

Fig 2 – Currencies

	04-10-2023	05-10-2023	% change
EUR/USD (1 EUR / USD)	1.0504	1.0550	0.4
GBP/USD (1 GBP / USD)	1.2135	1.2192	0.5
USD/JPY (JPY / 1 USD)	149.12	148.51	0.4
USD/INR (INR / 1 USD)	83.24	83.26	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



- Global yields broadly closed lower. US 10Y yield fell a tad by 1bps tracking comments from Fed official who spoke of not raising rates at the current juncture, as the situation itself is much more restrictive in action. Germany's 10Y yield fell by 4bps as ECB policymaker hinted that last month's hike was the last in the cycle. India's 10Y yield fell by 2bps at 7.22%. It is trading at 7.26% today.

Fig 3 – Bond 10Y yield

	04-10-2023	05-10-2023	change in bps
US	4.73	4.72	(1)
UK	4.58	4.54	(4)
Germany	2.92	2.88	(4)
Japan	0.81	0.81	0
China	2.69	2.68	(1)
India	7.24	7.22	(2)

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

Fig 4 – Short term rates

	04-10-2023	05-10-2023	change in bps
Tbill-91 days	6.84	6.84	-
Tbill-182 days	7.08	7.06	(2)
Tbill-364 days	7.10	7.11	1
G-Sec 2Y	7.21	7.18	(3)
India OIS-2M	6.89	6.88	(1)
India OIS-9M	7.08	7.05	(3)
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	04-10-2023	05-10-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.5	0.3	(0.2)
Reverse repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	03-10-2023	4-10-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	67.6	(529.6)	(597.2)
Debt	168.1	(54.4)	(222.5)
Equity	(100.5)	(475.2)	(374.7)
Mutual funds (Rs cr)	(782.7)	(2,490.3)	(1,707.6)
Debt	(793.9)	(1,255.6)	(461.7)
Equity	11.2	(1,234.7)	(1,245.9)

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as on 27th and 29th Sep

- Oil prices declined by another 2% weighed down by demand concerns.

Fig 7 – Commodities

	04-10-2023	05-10-2023	% change
Brent crude (US\$/bbl)	85.8	84.1	(2.0)
Gold (US\$/ Troy Ounce)	1,821.4	1,820.3	(0.1)
Copper (US\$/ MT)	7,875.0	7,823.8	(0.7)
Zinc (US\$/MT)	2,464.0	2,450.3	(0.6)
Aluminium (US\$/MT)	2,246.5	2,232.0	(0.6)

Source: Bloomberg, Bank of Baroda Research



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