

MORNING MOCHA

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US jobs report showed some degree of softening as it rose by 187k (slowest pace since Dec'20) and less than expectation of 200K. This led DXY and US 10Y yield close lower. Even the CME Fed watch tool is now pricing in a pause with 85% probability attached to it which was 78% before the release of the data. Elsewhere in Germany, factory orders rose more than expected by 7% (est.: -2%). BoJ in its recent summary of opinions expressed biasedness towards a flexible YCC policy on the backdrop of rising pressure on prices and wages. In China, officials are in favour of ample favourable liquidity conditions to support the economy. On domestic front, Kharif sowing improved and cumulative rainfall is 3% above LPA.

- Except US, other global equity markets ended higher. Stocks in US ended lower after jobs report. Stocks in UK and Asia advanced. Shanghai Comp rose by 0.2% led by real estate stocks amidst expectations of more stimulus. Sensex snapped its 4-day losing streak and ended 0.7% higher. Technology, banking and capital goods stocks led the gains. It is trading further higher today, while other Asian stocks are trading lower.

Fig 1 – Stock markets

| | 03-08-2023 | 04-08-2023 | % change |
|---------------|------------|------------|----------|
| Dow Jones | 35,216 | 35,066 | (0.4) |
| S & P 500 | 4,502 | 4,478 | (0.5) |
| FTSE | 7,529 | 7,564 | 0.5 |
| Nikkei | 32,159 | 32,193 | 0.1 |
| Hang Seng | 19,421 | 19,539 | 0.6 |
| Shanghai Comp | 3,280 | 3,288 | 0.2 |
| Sensex | 65,241 | 65,721 | 0.7 |
| Nifty | 19,382 | 19,517 | 0.7 |

Source: Bloomberg, Bank of Baroda Research

- Barring INR (lower), other global currencies advanced against the dollar. DXY fell by 0.5% as US payroll additions rose less than expected in Jul'23. EUR rose by 0.5% as Germany's factory orders increased unexpectedly in Jun'23. INR depreciated further, weighed down by higher oil prices and FPI outflows. It is trading higher today while other Asian currencies are trading lower.

Fig 2 – Currencies

| | 03-08-2023 | 04-08-2023 | % change |
|-----------------------|------------|------------|----------|
| EUR/USD (1 EUR / USD) | 1.0949 | 1.1006 | 0.5 |
| GBP/USD (1 GBP / USD) | 1.2709 | 1.2749 | 0.3 |
| USD/JPY (JPY / 1 USD) | 142.58 | 141.76 | 0.6 |
| USD/INR (INR / 1 USD) | 82.73 | 82.84 | (0.1) |
| USD/CNY (CNY / 1 USD) | 7.1697 | 7.1729 | 0 |

Source: Bloomberg, Bank of Baroda Research



- Global 10Y yields softened, following moderation in US jobs data. This raised hopes of a pause in the coming days by US Fed. Thus US 10Y yield fell the most by 14bps followed by UK's (-9bps). The fall in India's 10Y yield was capped to a certain extent by rising oil prices and worries over inflation. It is trading lower at 7.17% today, as demand in the auction remained firm.

Fig 3 – Bond 10Y yield

| | 03-08-2023 | 04-08-2023 | change in bps |
|---------|------------|------------|---------------|
| US | 4.18 | 4.03 | (14) |
| UK | 4.47 | 4.38 | (9) |
| Germany | 2.61 | 2.56 | (4) |
| Japan | 0.65 | 0.65 | 0 |
| China | 2.66 | 2.66 | 0 |
| India | 7.20 | 7.19 | (1) |

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

| | 03-08-2023 | 04-08-2023 | change in bps |
|--------------------------|------------|------------|---------------|
| Tbill-91 days | 6.71 | 6.76 | 5 |
| Tbill-182 days | 6.88 | 6.86 | (2) |
| Tbill-364 days | 6.92 | 6.94 | 2 |
| G-Sec 2Y | 7.05 | 7.07 | 2 |
| India OIS-2M | 6.64 | 6.63 | (1) |
| India OIS-9M | 6.84 | 6.85 | 1 |
| SONIA int rate benchmark | 4.93 | 5.18 | 25 |
| US SOFR | 5.30 | 5.30 | 0 |

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

| Rs tn | 03-08-2023 | 04-08-2023 | change (Rs tn) |
|-----------------------------------|------------|------------|----------------|
| Net Liquidity (-Surplus/+deficit) | (2.8) | (2.6) | 0.2 |
| Reverse repo | 0.9 | 0.9 | 0 |
| Repo | 0 | 0 | 0 |

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

| | 02-08-2023 | 03-08-2023 | change (US\$ mn/Rs cr) |
|----------------------|------------|------------|------------------------|
| FII (US\$ mn) | (180.1) | 6.1 | 186.3 |
| Debt | 1.8 | (20.1) | (21.9) |
| Equity | (182.0) | 26.2 | 208.2 |
| Mutual funds (Rs cr) | 1,001.9 | 563.4 | (438.5) |
| Debt | 291.1 | 75.9 | (215.2) |
| Equity | 710.8 | 487.5 | (223.3) |

Source: Bloomberg, Bank of Baroda Research

- Oil prices rose by 1.3% to ~4-month high amidst tightening supply.

Fig 7 – Commodities

| | 03-08-2023 | 04-08-2023 | % change |
|-------------------------|------------|------------|----------|
| Brent crude (US\$/bbl) | 85.1 | 86.2 | 1.3 |
| Gold (US\$/ Troy Ounce) | 1,934.1 | 1,942.9 | 0.5 |
| Copper (US\$/ MT) | 8,570.5 | 8,523.3 | (0.6) |
| Zinc (US\$/MT) | 2,489.3 | 2,506.5 | 0.7 |
| Aluminium (US\$/MT) | 2,230.0 | 2,232.5 | 0.1 |

Source: Bloomberg, Bank of Baroda Research



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