

MORNING MOCHA

07 December 2023

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Labour market in the US is continuing to show signs of loosening, as ADP data shows that private payrolls were up by only 103k (est.: 120k) in Nov'23, easing from downwardly revised 106k in Oct'23. Conditions in Germany also remain under pressure with factory orders (MoM) in Oct'23 declining by (-) 3.7% versus est.: +0.2% and 0.2% increase in Sep'23. With weakening economic conditions, analysts are pricing in higher probability of rate cuts next year. ECB is expected to begin lowering rates from Mar'24 and cumulatively by 150bps. CME's Fed watch tool also suggests 60% chance of Fed cutting rates from Mar'24 (cumulatively by 125bps). Muted improvement in China's export growth in Nov'23 (0.5% versus est.: -1.5% and -6.4% in Oct'23) is unlikely to change the course of global growth slowdown.

- Barring US indices and Shanghai Comp, other global indices ended higher. Investors monitored renewed bets of Fed beginning with rate cuts soon, amidst signs of labour market cooling off. On the other hand, Sensex climbed to a record high supported by strong gains in power and oil & gas stocks. However, it is trading lower today in line with other Asian stocks.

Fig 1 – Stock markets

	5-12-2023	6-12-2023	% change
Dow Jones	36,125	36,054	(0.2)
S & P 500	4,567	4,549	(0.4)
FTSE	7,490	7,515	0.3
Nikkei	32,776	33,446	2.0
Hang Seng	16,328	16,463	0.8
Shanghai Comp	2,972	2,969	(0.1)
Sensex	69,296	69,654	0.5
Nifty	20,855	20,938	0.4

Source: Bloomberg, Bank of Baroda Research

- Except INR, other global currencies ended lower against the dollar. DXY inched up by 0.1% ahead of the crucial non-farm payrolls report. EUR was lower amidst growing optimism that ECB will start with rate cut as early as Mar'24. INR strengthened by 0.1% supported by falling crude prices. It is trading weaker today in line with other Asian currencies.

Fig 2 – Currencies

	5-12-2023	6-12-2023	% change
EUR/USD (1 EUR / USD)	1.0797	1.0764	(0.3)
GBP/USD (1 GBP / USD)	1.2595	1.2560	(0.3)
USD/JPY (JPY / 1 USD)	147.15	147.31	(0.1)
USD/INR (INR / 1 USD)	83.39	83.33	0.1
USD/CNY (CNY / 1 USD)	7.1471	7.1606	(0.2)

Source: Bloomberg, Bank of Baroda Research



- Barring India (flat) and China (higher), other global yields closed further lower. 10Y yields of UK, US and Germany fell the most. With economic activity slowing, investors are pricing in increased probabilities of rate cuts next year (-125bps by Fed and -150bps by ECB). India's 10Y yield closed flat, ahead of RBI's monetary policy decision. It is trading a tad lower at 7.24%.

Fig 3 – Bond 10Y yield

	5-12-2023	6-12-2023	change in bps
US	4.16	4.10	(6)
UK	4.03	3.94	(8)
Germany	2.25	2.20	(5)
Japan	0.67	0.64	(3)
China	2.69	2.70	1
India	7.26	7.25	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	5-12-2023	6-12-2023	change in bps
Tbill-91 days	6.99	6.95	(4)
Tbill-182 days	7.13	7.15	2
Tbill-364 days	7.14	7.15	1
G-Sec 2Y	7.23	7.22	(1)
India OIS-2M	6.85	6.84	(1)
India OIS-9M	6.85	6.85	0
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.37	5.33	(4)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	5-12-2023	6-12-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.1)	0	0.1
Reverse repo	0.2	0.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	4-12-2023	5-12-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	976.6	939.7	(37.0)
Debt	316.4	244.7	(71.7)
Equity	660.2	694.9	34.7
Mutual funds (Rs cr)	3,654.3	4,966.4	1,312.1
Debt	1,546.6	1,268.3	(278.3)
Equity	2,107.7	3,698.1	1,590.4

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 1 Dec and 4 Dec 2023

- Oil prices fell sharply over news of near record high US crude oil output.

Fig 7 – Commodities

	5-12-2023	6-12-2023	% change
Brent crude (US\$/bbl)	77.2	74.3	(3.8)
Gold (US\$/ Troy Ounce)	2,019.4	2,025.6	0.3
Copper (US\$/ MT)	8,252.8	8,201.3	(0.6)
Zinc (US\$/MT)	2,414.0	2,419.4	0.2
Aluminium (US\$/MT)	2,160.0	2,148.5	(0.5)

Source: Bloomberg, Bank of Baroda Research



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