

MORNING MOCHA

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US jobs data has again shed light on resilience of the labour market in the country. Non-farm payrolls rose by 254k in Sep'24, up from est.: 150k and 159k rise in Aug'24. Most visible increase was in case of food services and drinking place, healthcare, construction and social assistance. Unemployment rate inched down to 4.1% in Sep'24 from 4.2% in Aug'24. Average hourly earnings also came in higher (0.4% MoM) than estimated (0.3%). As a result, investors have now scaled back their expectations of aggressive Fed rate cuts in the coming months. Fed fund rate is expected at ~3.25-3.75% by mid-2025 versus ~3-3.25% expected earlier. Apart from tight labour market, ongoing geo-political tensions and its impact on oil prices and supply chain disruptions, is also a cause of concern for global investors. Investors now await release of US CPI data and FOMC minutes for more guidance on rates.

- Global indices ended mixed. US indices ended in green after a better-than-expected jobs report. Amongst other indices, Hang Seng gained the most. On the other hand, Sensex ended in red as investors monitored geopolitical tension brewing in the Middle East. The sharp losses were largely led by auto and power stocks. It is trading a tad higher today in line with other Asian indices.

Fig 1 – Stock markets

	03-10-2024	04-10-2024	Change, %
Dow Jones	42,012	42,353	0.8
S & P 500	5,700	5,751	0.9
FTSE	8,283	8,281	0
Nikkei	38,552	38,636	0.2
Hang Seng	22,114	22,737	2.8
Shanghai Comp	3,088	3,336	8.1
Sensex	82,497	81,688	(1.0)
Nifty	25,250	25,015	(0.9)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in China are closed since 30 Sep

- Except GBP and INR (flat), other global currencies ended lower against the dollar. DXY climbed to more than 6-weeks high after a strong jobs report. Investors are pricing in a 35% chance of 50bps rate cut in Nov'24 down from 49%. INR remained steady with focus shifting towards tensions in Middle East. It is trading broadly stable today while other currencies are trading lower.

Fig 2 – Currencies

	03-10-2024	04-10-2024	Change, %
EUR/USD (1 EUR / USD)	1.1031	1.0974	(0.5)
GBP/USD (1 GBP / USD)	1.3124	1.3122	0
USD/JPY (JPY / 1 USD)	146.93	148.70	(1.2)
USD/INR (INR / 1 USD)	83.97	83.98	0
USD/CNY (CNY / 1 USD)	7.0111	7.0187	(0.1)

Source: Bloomberg, Bank of Baroda | Note: Markets in China are closed since 30 Sep



- Global yields closed sharply higher. 10Y yields in US and UK rose the most. Steep increase in US non-farm payrolls and unexpected decline in unemployment rate had led to investors scaling back their expectations of aggressive rate cut by Fed in the coming months. India's 10Y yield rose by 6bps, as oil prices continue to go up. It is trading flat at 6.84% today.

Fig 3 – Bond 10Y yield

	03-10-2024	04-10-2024	Change, bps
US	3.85	3.97	12
UK	4.02	4.13	11
Germany	2.14	2.21	7
Japan	0.83	0.89	5
China	2.18	2.21	3
India	6.78	6.84	6

Source: Bloomberg, Bank of Baroda Research | Note: Markets in China are closed since 30 Sep 2024

Fig 4 – Short term rates

	03-10-2024	04-10-2024	change in bps
Tbill-91 days	6.46	6.46	0
Tbill-182 days	6.55	6.54	(1)
Tbill-364 days	6.54	6.54	0
G-Sec 2Y	6.66	6.68	3
India OIS-2M	6.59	6.59	0
India OIS-9M	6.46	6.50	4
SONIA int rate benchmark	4.95	4.95	0
US SOFR	4.92	4.85	(7)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	03-10-2024	04-10-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.9)	(2.8)	0.1
Reverse Repo	0	0	0
Repo	1.2	0	(1.2)

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	01-10-2024	03-10-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	(341.6)	(1,948.8)	(1,607.2)
Debt	279.8	(101.7)	(381.5)
Equity	(621.4)	(1,847.2)	(1,225.7)
Mutual funds (Rs cr)	6,391.4	9,099.6	2,708.1
Debt	200.3	4,550.1	4,349.8
Equity	6,191.1	4,549.5	(1,641.7)

Source: Bloomberg, Bank of Baroda Research | Note: Data for Mutual Funds as of 30 Sep and 1 Oct; Markets in India were closed on 2 Oct

- Oil prices rose, as tensions in Middle East offset rising supply worries.

Fig 7 – Commodities

	03-10-2024	04-10-2024	% change
Brent crude (US\$/bbl)	77.6	78.1	0.6
Gold (US\$/ Troy Ounce)	2,655.9	2,653.6	(0.1)
Copper (US\$/ MT)	9,717.9	9,796.4	0.8
Zinc (US\$/MT)	3,095.6	3,143.5	1.5
Aluminium (US\$/MT)	2,629.0	2,653.0	0.9

Source: Bloomberg, Bank of Baroda Research



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