

MORNING MOCHA

04 October 2023

ECONOMIST
Dipanwita Mazumdar

Sell off in the bond market continued with US 10Y yield rising by 12bps to its highest level since 2007. Markets remained jittery over tighter liquidity conditions which exacerbated the selling pressure. Even Fed official Raphael Bostic reiterated the need for tighter policy. Equity markets also took the beating. Elsewhere, Yen's movement was keenly watched after Japan's Finance Minister spoke of closely monitoring the currency market. In terms of macro data releases, US JOLTS job opening rose more than expected to 9610k (est.: 8815k). UK's BRC shop Index showed some degree of moderation to 6.2% in Sep'23 from 6.9% in Aug'23, providing slight respite on inflation. Japan's services activity slightly rose above last month's level to 53.8. On domestic front, World Bank in its recent update said that amidst global uncertainty Indian economy has maintained its resilience and is expected to grow by 6.3% in the current FY.

- Global stocks witnessed a broad-based sell-off as higher than expected job openings in US, supported the narrative of higher for longer rates by the Fed. Stocks in Hong Kong, Japan and US fell sharply. Sensex too declined by 0.5%, in line with global cues. Oil and gas and auto stocks fell the most. It is trading further lower today, in line with other Asian markets.

Fig 1 – Stock markets

	02-10-2023	03-10-2023	% change
Dow Jones	33,433	33,002	(1.3)
S & P 500	4,288	4,229	(1.4)
FTSE	7,511	7,470	(0.5)
Nikkei	31,760	31,238	(1.6)
Hang Seng	17,810	17,331	(2.7)
Shanghai Comp	3,107	3,110	0.1
Sensex	65,828	65,512	(0.5)
Nifty	19,638	19,529	(0.6)

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

- DXY advanced to an 11-month high supported by better than expected labour market data. Most global currencies were lower. INR tethered near its record low led by FPI outflows. JPY appreciated by 0.6% amidst chatter of intervention. INR is trading further weaker today, in line with other Asian currencies.

Fig 2 – Currencies

	02-10-2023	03-10-2023	% change
EUR/USD (1 EUR / USD)	1.0477	1.0467	(0.1)
GBP/USD (1 GBP / USD)	1.2087	1.2077	(0.1)
USD/JPY (JPY / 1 USD)	149.86	149.02	0.6
USD/INR (INR / 1 USD)	83.04	83.21	(0.2)
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



- Except Japan and China (a tad lower), global yields closed higher. US 10Y yield rose the most by 12bps. This was followed by tighter labour market data, thus raising hopes of higher for longer rates to prevent overheating. Germany's 10Y yield also rose by 5bps tracking comments from ECB's Vice President. India's 10Y yield rose by 2bps taking global cues. It is trading at 7.25% today.

Fig 3 – Bond 10Y yield

	02-10-2023	03-10-2023	change in bps
US	4.68	4.80	12
UK	4.56	4.60	3
Germany	2.92	2.97	5
Japan	0.78	0.77	(1)
China	2.69	2.68	(1)
India	7.22	7.23	2

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

Fig 4 – Short term rates

	02-10-2023	03-10-2023	change in bps
Tbill-91 days	6.80	6.86	6
Tbill-182 days	7.03	6.96	(7)
Tbill-364 days	7.02	7.01	(1)
G-Sec 2Y	7.21	7.18	(3)
India OIS-2M	6.83	6.85	1
India OIS-9M	7.05	7.07	2
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.31	5.32	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	02-10-2023	03-10-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.9	0.4	(0.5)
Reverse repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	27-09-2023	28-09-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(291.3)	(241.5)	49.8
Debt	(28.2)	103.3	131.5
Equity	(263.1)	(344.9)	(81.8)
Mutual funds (Rs cr)	(2,052.9)	(782.7)	1,270.2
Debt	(3,458.2)	(793.9)	2,664.2
Equity	1,405.2	11.2	(1,394.0)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual fund data as of 26 Sep 2023 and 27 Sep 2023

- Oil prices edged up by 0.2% ahead of OPEC+ meeting.

Fig 7 – Commodities

	02-10-2023	03-10-2023	% change
Brent crude (US\$/bbl)	90.7	90.9	0.2
Gold (US\$/ Troy Ounce)	1,828.0	1,823.0	(0.3)
Copper (US\$/ MT)	7,978.0	7,929.0	(0.6)
Zinc (US\$/MT)	2,581.0	2,473.0	(4.2)
Aluminium (US\$/MT)	2,321.0	2,290.0	(1.3)

Source: Bloomberg, Bank of Baroda Research



Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at



For further details about this publication, please contact:

Chief Economist

Bank of Baroda

+91 22 6698 5143

chief.economist@bankofbaroda.com