

MORNING MOCHA

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Labour market in the US still remains tight with ADP employment showing that 235k jobs were added in Dec'22 versus est.: 153k and 127k in Nov'22. Services sector alone added 213k jobs, of which 123k were added in the leisure and hospitality sector. Initial jobless claims also fell by 19k for the week ending 31 Dec 2022, to 204k. These data points have resurfaced fears that Fed may have to keep monetary policy tight for a longer duration, thus increasing the risk of slowdown. Separately, price pressures in Eurozone seem to be cooling-off, with PPI down by (-) 0.9% MoM in Dec'22, led by (-) 2.2% decline in energy prices. Ex-energy, PPI was up by 0.1%. In Asia, Singapore is showing signs of stress with retail sales growth easing to 6.2% in Nov'22 from 10.3% in Oct'22.

- Global indices ended mixed as investors monitored news of tighter labour market which diminished hopes of any possibility of a pause by Fed. Asian markets closed in green with PBoC announcing new measures for lower mortgage rates for first time home buyers. Sensex slipped by 0.5% on the back of global cues and was pushed down further by losses in banking and IT stocks. However, it is trading higher today in line with other Asian stocks.

Fig 1 – Stock markets

	4-1-2023	5-1-2023	% change
Dow Jones	33,270	32,930	(1.0)
S & P 500	3,853	3,808	(1.2)
FTSE	7,585	7,633	0.6
Nikkei	25,717	25,821	0.4
Hang Seng	20,793	21,052	1.2
Shanghai Comp	3,124	3,155	1.0
Sensex	60,657	60,353	(0.5)
Nifty	18,043	17,992	(0.3)

Source: Bloomberg, Bank of Baroda Research

- Barring INR and CNY, other global currencies ended lower against the dollar. DXY gained by 0.8% on the back of strong private payrolls report along with the dip in the weekly jobless claims. GBP tumbled by 1.2%. INR appreciated by 0.3%. It opened stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	4-1-2023	5-1-2023	% change
EUR/USD (1 EUR / USD)	1.0604	1.0522	(0.8)
GBP/USD (1 GBP / USD)	1.2055	1.1908	(1.2)
USD/JPY (JPY / 1 USD)	132.63	133.41	(0.6)
USD/INR (INR / 1 USD)	82.81	82.55	0.3
USD/CNY (CNY / 1 USD)	6.8973	6.8804	0.2

Source: Bloomberg, Bank of Baroda Research



- Except Japan (lower), bond yields (10Y) rose elsewhere. UK (+6bps), Germany and US (+4bps each) 10Y yields gained the most. Yields reacted to stronger US labour market data (ADP employment and jobless claims), which suggests that Fed might have to keep rates high for long. India's 10Y yield too rose, by 1bps to 7.33%, as oil prices increased. It is trading flat today.

Fig 3 – Bond 10Y yield

	4-1-2023	5-1-2023	change in bps
US	3.68	3.72	4
UK	3.49	3.55	6
Germany	2.27	2.32	4
Japan	0.47	0.43	(3)
China	2.82	2.84	2
India	7.32	7.33	1

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	4-1-2023	5-1-2023	change in bps
Tbill-91 days	6.35	6.32	(3)
Tbill-182 days	6.76	6.76	0
Tbill-364 days	6.90	6.91	1
G-Sec 2Y	6.93	6.94	1
SONIA int rate benchmark	3.43	3.43	0
US SOFR	4.31	4.30	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	4-1-2023	5-1-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.5)	(1.4)	(0.1)
Reverse repo	0.3	0.3	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	3-1-2023	4-1-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(131.6)	(349.1)	(217.6)
Debt	(100.6)	(52.3)	48.3
Equity	(31.0)	(296.9)	(265.9)
Mutual funds (Rs cr)	(2,297.6)	585.2	2,882.8
Debt	(471.8)	(462.9)	8.9
Equity	(1,825.8)	1,048.1	2,873.9

Source: Bloomberg, Bank of Baroda Research

- Crude oil prices rose by 1.1%, following the news of more than expected decline in US inventories, impacted by winter storm in the country.

Fig 7 – Commodities

	4-1-2023	5-1-2023	% change
Brent crude (US\$/bbl)	77.8	78.7	1.1
Gold (US\$/ Troy Ounce)	1,854.6	1,832.9	(1.2)
Copper (US\$/ MT)	8,236.0	8,361.5	1.5
Zinc (US\$/MT)	3,019.3	3,028.3	0.3
Aluminium (US\$/MT)	2,266.5	2,255.5	(0.5)

Source: Bloomberg, Bank of Baroda Research



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