

MORNING MOCHA

07 September 2023

ECONOMIST

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US ISM services PMI accelerated to 54.5 in Aug'23 (est. 52.5) from 52.7 in Jul'23, once again attesting to the strength of the US economy. Elsewhere, growth indicators remained muted. In Germany, factory orders fell more than expected by 11.7% (est. -4%) in Jul'23 on a MoM basis, following a 7.6% increase in Jun'23. Retail sales in the Euro Area declined by 0.2% in Jul'23 (MoM) (est. -0.1%) after increasing by 0.2% in Jun'23. In China, both exports and imports contracted further in Aug'23 suggesting that the economy continues to face headwinds even as the pace of decline has weakened. Exports declined by 8.8% in Aug'23, less than the estimated 9.2% decline. Imports too contracted less than expected by 7.3% in Aug'23 versus expectations of a 9% drop.

- Global indices ended mixed as concerns over China's growth aggravated. US indices ended in red, amidst rising crude oil prices and subdued growth in labor market highlighted in the beige book surveys. European indices too closed lower after disappointing manufacturing and services data. On the other hand, Nikkei closed in green. Sensex too rose by 0.2%. However, it is trading lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	05-09-2023	06-09-2023	% change
Dow Jones	34,642	34,443	(0.6)
S & P 500	4,497	4,465	(0.7)
FTSE	7,438	7,426	(0.2)
Nikkei	33,037	33,241	0.6
Hang Seng	18,457	18,450	0
Shanghai Comp	3,154	3,158	0.1
Sensex	65,780	65,881	0.2
Nifty	19,575	19,611	0.2

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended broadly weaker. DXY rose further by 0.1% as US ISM services PMI edged up more than expected in Aug'23. EUR closed unchanged despite weak macro data (Germany factory orders and EU retail sales). INR depreciated by 0.1% weighed down by a strong dollar and higher oil prices. It is trading further weaker today, in line with its Asian peers.

Fig 2 – Currencies

	05-09-2023	06-09-2023	% change
EUR/USD (1 EUR / USD)	1.0722	1.0727	0
GBP/USD (1 GBP / USD)	1.2564	1.2507	(0.5)
USD/JPY (JPY / 1 USD)	147.72	147.66	0
USD/INR (INR / 1 USD)	83.04	83.14	(0.1)
USD/CNY (CNY / 1 USD)	7.3033	7.3180	(0.2)

Source: Bloomberg, Bank of Baroda Research



- Except Japan and India (flat), global yields closed higher. Germany's 10Y yield rose the most by 4bps following comments by ECB officials. 10Y yield in US edged up after US ISM services PMI came in stronger than expected. Despite a jump in oil prices, India's 10Y yield closed flat. It is trading at 7.19% today.

Fig 3 – Bond 10Y yield

	05-09-2023	06-09-2023	change in bps
US	4.26	4.28	2
UK	4.53	4.53	1
Germany	2.61	2.65	4
Japan	0.66	0.66	0
China	2.64	2.67	2
India	7.21	7.21	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	05-09-2023	06-09-2023	change in bps
Tbill-91 days	6.81	6.79	(2)
Tbill-182 days	6.97	7.01	4
Tbill-364 days	6.98	7.02	4
G-Sec 2Y	7.12	7.13	2
India OIS-2M	6.75	6.75	0
India OIS-9M	6.98	6.98	0
SONIA int rate benchmark	5.19	5.19	0
US SOFR	5.31	5.31	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	05-09-2023	06-09-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.5)	(0.9)	0.6
Reverse repo	0.2	0.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	04-09-2023	05-09-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(290.4)	(254.4)	35.9
Debt	(3.2)	(96.3)	(93.1)
Equity	(287.1)	(158.1)	129.0
Mutual funds (Rs cr)	60.9	410.1	349.3
Debt	(900.6)	(31.0)	869.6
Equity	961.4	441.1	(520.3)

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 22nd and 23rd Aug

- Oil prices rose further led by expectations of tight supply amidst production cuts by Russia and Saudi Arabia as well as drawdown in US inventories.

Fig 7 – Commodities

	05-09-2023	06-09-2023	% change
Brent crude (US\$/bbl)	90.0	90.6	0.6
Gold (US\$/ Troy Ounce)	1,926.1	1,916.6	(0.5)
Copper (US\$/ MT)	8,482.5	8,358.8	(1.5)
Zinc (US\$/MT)	2,454.0	2,443.0	(0.4)
Aluminium (US\$/MT)	2,193.0	2,193.5	0

Source: Bloomberg, Bank of Baroda Research



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