

MORNING MOCHA

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Concerns over US labour market resurfaced as job openings fell sharply in Jul'24. US JOLTS report indicated that job openings fell to 7.673mn-the lowest level since Jan'21 (est. 8.1mn). The data has once again reignited fears of a protracted slowdown in the US, necessitating the possibility of steep rate cuts by the Fed. The probability of a 50bps rate cut in Sep'24 inched up to 45% as per the CME FedWatch tool from 38% earlier. US ISM service PMI and jobs report will likely shape the trajectory of the Fed policy. Separately, global services activity appears to be faring well, with PMIs in Eurozone, UK, Japan, China and India signalling robust expansion. In India, services PMI inched up to 60.9 in Aug'24 from 60.3 in Jul'24, led by an uptick in new orders.

- Global indices broadly closed lower. Weaker macro data in the US (3.5 years low JOLTS job openings, muted core capital goods orders) raised bets of an outsized rate cut by Fed. Fall in stocks was further exacerbated by benign macro prints in China and woes over upcoming AI technology, that led to continued fall in a US chipmaker. Sensex fall was driven by metal and banking stocks. It is trading higher today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	03-09-2024	04-09-2024	Change, %
Dow Jones	40,937	40,975	0.1
S & P 500	5,529	5,520	(0.2)
FTSE	8,298	8,270	(0.3)
Nikkei	38,686	37,048	(4.2)
Hang Seng	17,651	17,457	(1.1)
Shanghai Comp	2,803	2,784	(0.7)
Sensex	82,555	82,353	(0.2)
Nifty	25,280	25,199	(0.3)

Source: Bloomberg, Bank of Baroda Research

- Except INR, other global currencies appreciated. DXY declined as US labour market appears to be softening. JPY strengthened the most. EUR and GBP also rose supported by a pickup in services PMI in both the regions. INR continues to trade near a lifetime low. Asian currencies are trading mostly stronger today.

Fig 2 – Currencies

	03-09-2024	04-09-2024	Change, %
EUR/USD (1 EUR / USD)	1.1043	1.1082	0.4
GBP/USD (1 GBP / USD)	1.3114	1.3147	0.3
USD/JPY (JPY / 1 USD)	145.48	143.74	1.2
USD/INR (INR / 1 USD)	83.97	83.97	0
USD/CNY (CNY / 1 USD)	7.1217	7.1130	0.1

Source: Bloomberg, Bank of Baroda



- Risk-off sentiment led buying persisted in global treasury markets. US 10Y yield fell at the sharpest pace tracking weak macro data. Atlanta Fed President also flagged risks of keeping rates high for too long. Markets are now leaning towards larger quantum of Fed rate cuts. Yields globally also declined. India's 10Y yield closed a tad lower and is trading at 6.85% today.

Fig 3 – Bond 10Y yield

	03-09-2024	04-09-2024	Change, bps
US	3.83	3.76	(8)
UK	3.99	3.94	(6)
Germany	2.28	2.22	(5)
Japan	0.93	0.88	(4)
China	2.15	2.13	(2)
India	6.87	6.86	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	03-09-2024	04-09-2024	change in bps
Tbill-91 days	6.64	6.62	(2)
Tbill-182 days	6.71	6.72	1
Tbill-364 days	6.72	6.71	(1)
G-Sec 2Y	6.77	6.76	(2)
India OIS-2M	6.60	6.60	0
India OIS-9M	6.55	6.53	(2)
SONIA int rate benchmark	4.95	4.95	0
US SOFR	5.32	5.34	2

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	03-09-2024	04-09-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.5)	(2.5)	0
Reverse Repo	0.6	1.1	0.5
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	02-09-2024	03-09-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	691.1	360.4	(330.7)
Debt	4.4	(1.2)	(5.6)
Equity	686.7	361.6	(325.1)
Mutual funds (Rs cr)	(6,150.3)	1,623.3	7,773.6
Debt	(3,403.2)	629.7	4,033.0
Equity	(2,747.1)	993.6	3,740.6

Source: Bloomberg, Bank of Baroda Research | Note: Data for Mutual Funds as of 30 Aug and 2 Sep 2024

- Oil prices fell as muted demand concerns suggested a delay in OPEC+ Oct cut.

Fig 7 – Commodities

	03-09-2024	04-09-2024	% change
Brent crude (US\$/bbl)	73.8	72.7	(1.4)
Gold (US\$/ Troy Ounce)	2,492.9	2,495.7	0.1
Copper (US\$/ MT)	8,829.9	8,836.8	0.1
Zinc (US\$/MT)	2,795.5	2,743.8	(1.8)
Aluminium (US\$/MT)	2,407.5	2,396.5	(0.5)

Source: Bloomberg, Bank of Baroda Research



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