

MORNING MOCHA

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ECONOMIST
Aditi Gupta

Data released ahead of the crucial jobs report, painted a fuzzy picture of the US labour market. Weekly jobless claims declined by 5,000 to 227,000 (est. 230,000). On the other hand, ADP data showed private payrolls increasing at the slowest pace since Jan'21, by a sombre 99,000 (est. 145,000). Separately, US ISM services index picked up marginally to 51.5 in Aug'24 (est. 51.1) from 51.4 in Jul'24 led by new orders. However, employment dipped. Investors now eagerly await the US jobs report due later in the day. Non-farm payrolls are expected to increase by 160,000 versus 114,000 in Jul'24. Unemployment rate is also estimated to have dipped to 4.2% from a 3-year high of 4.3% in Jul'24. The report is likely to shape the path of future Fed policy.

- Except Shanghai Comp (higher), other global indices closed lower. The downward drift in labour market data in the US (ADP report) coupled with weak labour cost, raised concerns of a slowing economy. Nikkei fell the most, amidst concerns over policy divergence. Fall in Sensex was driven by real estate stocks. It is trading lower today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	04-09-2024	05-09-2024	Change, %
Dow Jones	40,975	40,756	(0.5)
S & P 500	5,520	5,503	(0.3)
FTSE	8,270	8,242	(0.3)
Nikkei	37,048	36,657	(1.1)
Hang Seng	17,457	17,444	(0.1)
Shanghai Comp	2,784	2,788	0.1
Sensex	82,353	82,201	(0.2)
Nifty	25,199	25,145	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Barring INR, other global currencies appreciated against the dollar. DXY fell further tracking mixed US data, with focus firmly on the jobs report. EUR and GBP appreciated by 0.3% each. JPY strengthened supported by expectations of more rate hikes. INR depreciated to a record low led by dollar demand from importers. It is trading a tad stronger today, in line with its Asian peers.

Fig 2 – Currencies

	04-09-2024	05-09-2024	Change, %
EUR/USD (1 EUR / USD)	1.1082	1.1111	0.3
GBP/USD (1 GBP / USD)	1.3147	1.3180	0.3
USD/JPY (JPY / 1 USD)	143.74	143.45	0.2
USD/INR (INR / 1 USD)	83.97	83.98	0
USD/CNY (CNY / 1 USD)	7.1130	7.0887	0.3

Source: Bloomberg, Bank of Baroda



- Global yields closed mixed. The downward momentum in US 10Y yield continued tracking weak ADP jobs report. This has further raised hopes of a higher quantum of rate cut, if US payroll numbers also follow suit. 10Y yield in UK and Germany also softened on account of pre-positioning. India's 10Y yield closed stable and is trading at 6.85% today.

Fig 3 – Bond 10Y yield

	04-09-2024	05-09-2024	Change, bps
US	3.76	3.73	(3)
UK	3.94	3.92	(2)
Germany	2.22	2.21	(2)
Japan	0.88	0.88	0
China	2.13	2.15	2
India	6.86	6.86	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	04-09-2024	05-09-2024	change in bps
Tbill-91 days	6.62	6.62	0
Tbill-182 days	6.72	6.71	(1)
Tbill-364 days	6.71	6.71	0
G-Sec 2Y	6.76	6.76	0
India OIS-2M	6.60	6.61	1
India OIS-9M	6.53	6.51	(1)
SONIA int rate benchmark	4.95	4.95	0
US SOFR	5.34	5.35	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	04-09-2024	05-09-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.5)	(2.6)	(0.1)
Reverse Repo	1.1	1.4	0.3
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	03-09-2024	04-09-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	360.4	215.8	(144.7)
Debt	(1.2)	26.9	28.1
Equity	361.6	188.9	(172.7)
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 were broadly steady ahead of change in US inventories data.

Fig 7 – Commodities

	04-09-2024	05-09-2024	% change
Brent crude (US\$/bbl)	72.7	72.7	0
Gold (US\$/ Troy Ounce)	2,495.7	2,516.8	0.8
Copper (US\$/ MT)	8,836.8	8,978.7	1.6
Zinc (US\$/MT)	2,743.8	2,688.0	(2.0)
Aluminium (US\$/MT)	2,396.5	2,378.5	(0.8)

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

Chief Economist

Bank of Baroda

+91 22 6698 5143

chief.economist@bankofbaroda.com