

MORNING MOCHA

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Sonal Badhan

US labour market data was unable to provide cues on quantum of rate cut by Fed later this month. On one hand, while non-farm payroll increased (142k) less than estimated (165k) in Aug'24, on the other hand, unemployment rate declined (4.2% in Aug'24 versus 4.3% in Jul'24). Wage growth inched up (0.4% versus 0.2%). Investors continue to expect 25bps cut this month, and similar reduction in Nov and Dec meetings as well. In Europe, economic conditions remain bleak with Germany and France industrial production in Jul'24 coming in much lower than expected. Eurozone's Q2CY24 GDP was also revised lower to 0.2% (QoQ) from 0.3% predicted earlier and 0.3% in Q1. In Japan as well, Q2 GDP estimate was lowered, to 0.7% from 0.8% estimated earlier and 0.8% in Q1. In China, PPI fell (-1.8%) in Aug'24, sharper than expected (-1.5%) and was also lower compared to last month (-0.8%). CPI inched up (0.6% versus 0.5%), but at a slower pace (est.: 0.7%).

- Global equity markets witnessed a broad-based sell off. Stocks in the US led the decline as US jobs report painted a mixed picture of the labour market. Investors remain divided over the quantum of rate cuts. In Japan, stronger Yen weighed on the equity market. Sensex declined by 1.2%, led by oil and gas and banking stocks. It is trading further lower today in line with other Asian stocks.

Fig 1 – Stock markets

	05-09-2024	06-09-2024	Change, %
Dow Jones	40,756	40,345	(1.0)
S & P 500	5,503	5,408	(1.7)
FTSE	8,242	8,181	(0.7)
Nikkei	36,657	36,391	(0.7)
Hang Seng	17,457	17,444	(0.1)
Shanghai Comp	2,788	2,766	(0.8)
Sensex	82,201	81,184	(1.2)
Nifty	25,145	24,852	(1.2)

Source: Bloomberg, Bank of Baroda Research| Note: Markets in Hong Kong were closed on 6 Sep 2024

- Global currencies ended mixed. DXY rose despite weaker than expected jobs data. EUR depreciated by 0.2%, amid disappointing macro data. On the other hand, JPY rose led by increased bets of more rate hikes. INR appreciated a tad but is trading weaker today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	05-09-2024	06-09-2024	Change, %
EUR/USD (1 EUR / USD)	1.1111	1.1084	(0.2)
GBP/USD (1 GBP / USD)	1.3180	1.3129	(0.4)
USD/JPY (JPY / 1 USD)	143.45	142.30	0.8
USD/INR (INR / 1 USD)	83.98	83.95	0
USD/CNY (CNY / 1 USD)	7.0887	7.0980	(0.1)

Source: Bloomberg, Bank of Baroda



- Except India (flat), other global 10Y yields closed lower. Mixed signals from US labour market, left markets undecided on the possible quantum of rate cut by Fed this month. Weakness in industrial output of Germany and France also flagged deteriorating economic conditions. India's 10Y yield closed stable as oil prices eased. Following global cues, it is trading a tad lower today at 6.85%.

Fig 3 – Bond 10Y yield

	05-09-2024	06-09-2024	Change, bps
US	3.73	3.71	(2)
UK	3.92	3.89	(3)
Germany	2.21	2.17	(4)
Japan	0.88	0.85	(3)
China	2.15	2.14	(1)
India	6.86	6.86	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	05-09-2024	06-09-2024	change in bps
Tbill-91 days	6.62	6.65	3
Tbill-182 days	6.71	6.69	(2)
Tbill-364 days	6.71	6.72	1
G-Sec 2Y	6.76	6.74	(2)
India OIS-2M	6.61	6.60	(1)
India OIS-9M	6.51	6.50	(2)
SONIA int rate benchmark	4.95	4.95	0
US SOFR	5.35	5.35	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	05-09-2024	06-09-2024	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.6)	(2.4)	(0.2)
Reverse Repo	1.4	0	(1.4)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	04-09-2024	05-09-2024	change (US\$ mn/Rs cr)
FII (US\$ mn)	215.8	(113.9)	(329.7)
Debt	26.9	(6.3)	(33.1)
Equity	188.9	(107.7)	(296.5)
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, owing to demand concerns led by economic weakness in the US.

Fig 7 – Commodities

	05-09-2024	06-09-2024	% change
Brent crude (US\$/bbl)	72.7	71.1	(2.2)
Gold (US\$/ Troy Ounce)	2,516.8	2,497.4	(0.8)
Copper (US\$/ MT)	8,978.7	8,875.5	(1.1)
Zinc (US\$/MT)	2,688.0	2,668.0	(0.7)
Aluminium (US\$/MT)	2,378.5	2,342.0	(1.5)

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