

MORNING MOCHA

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US jobless claims fell by 5,000 to a 2-month low of 232,000 suggesting continued labour market strength. While US ISM manufacturing PMI was stable at 52.8 in Aug'22, manufacturing activity in Asia, Eurozone and UK weakened. On the positive side, firms globally reported easing price pressures. India's manufacturing PMI was broadly stable at 56.2 in Aug'22 (from 56.4) signalling strong expansion in activity. New orders and output rose solidly and input cost inflation eased. GST collections too remained buoyant and rose by 28% (YoY) in Aug'22 to Rs. 1.44 lakh crore.

- Except US (higher), global stocks closed lower. FTSE dropped the most as manufacturing PMI fell to its 26-month low in Aug'22, reflecting aggravating concerns of growth slowdown. Even Asian stocks continued to slide amidst worries over spill over impact of China's Covid-zero policy. On the other hand, stable ISM manufacturing print in the US supported its stock market indices. Sensex fell by 1.3% led by oil and gas and technology stocks. It is also trading lower today, while Asian stocks are trading mixed ahead of US jobs report.

Fig 1 – Stock markets

	31-08-2022	1-09-2022	% change
Dow Jones	31,510	31,656	0.5
S & P 500	3,955	3,967	0.3
FTSE	7,284	7,149	(1.9)
Nikkei	28,092	27,661	(1.5)
Hang Seng	19,954	19,597	(1.8)
Shanghai Comp	3,202	3,185	(0.5)
Sensex	59,537	58,767	(1.3)
Nifty	17,759	17,543	(1.2)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 31 Aug 2022

- Global currencies depreciated against the dollar. DXY rose by 0.9% to a 20-year high supported by strong macro data and expectation of further rate hikes. EUR fell below the dollar parity mark once again, amidst dismal manufacturing PMI (26-month low). JPY depreciated by 0.9% to a 24-year low. INR depreciated by 0.1% despite a drop in oil prices. It is trading further weaker today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	31-08-2022	1-09-2022	% change
EUR/USD	1.0054	0.9946	(1.1)
GBP/USD	1.1622	1.1545	(0.7)
USD/JPY	138.96	140.21	(0.9)
USD/INR	79.46	79.56	(0.1)
USD/CNY	6.8904	6.9070	(0.2)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 31 Aug 2022



- Except China (lower), global yields closed higher. Expectations of aggressive rate hikes by major central banks and tightening financial market conditions, impacted yield movement. UK's 10Y yield rose the most by 8bps, followed by US (+6bps). India's 10Y yield rose by 2bps (7.22%), ahead of the weekly Rs 330bn gilt auction. It is trading higher at 7.24% today.

Fig 3 – Bond 10Y yield

	31-08-2022	1-09-2022	change in bps
US	3.19	3.25	6
UK	2.80	2.88	8
Germany	1.54	1.56	2
Japan	0.23	0.24	2
China	2.64	2.63	(1)
India	7.19	7.22	2

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 31 Aug 2022

Fig 4 – Short term rates

	31-08-2022	1-09-2022	change in bps
Tbill-91 days	5.63	5.63	0
Tbill-182 days	6.06	6.04	(2)
Tbill-364 days	6.31	6.29	(2)
G-Sec 2Y	6.36	6.45	9
SONIA int rate benchmark	1.69	1.69	0
US SOFR	2.28	2.29	1

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 31 Aug 2022

Fig 5 – Liquidity

Rs tn	30-08-2022	1-09-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.6)	(1.4)	(0.8)
Reverse repo	1.2	1.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research | Note: Markets in India were closed on 31 Aug 2022

Fig 6 – Capital market flows

	29-08-2022	30-08-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	172.3	533.2	360.9
Debt	(85.4)	(1.1)	84.3
Equity	257.7	534.3	276.6
Mutual funds (Rs cr)	(1,641.0)	(403.1)	1,237.9
Debt	(2,206.9)	924.6	3,131.5
Equity	565.9	(1,327.7)	(1,893.7)

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 18th and 19th Aug 2022 | Note: Markets in India were closed on 31 Aug 2022

- Crude oil prices fell by 4.3% to US\$ 92.4/bbl amidst fears of muted demand due to renewed Covid-19 curbs in China also impacted sentiments.

Fig 7 – Commodities

	31-08-2022	1-09-2022	% change
Brent crude (US\$/bbl)	96.5	92.4	(4.3)
Gold (US\$/ Troy Ounce)	1,711.0	1,697.5	(0.8)
Copper (US\$/ MT)	7,845.5	7,652.0	(2.5)
Zinc (US\$/MT)	3,531.5	3,320.5	(6.0)
Aluminium (US\$/MT)	2,359.0	2,295.0	(2.7)

Source: Bloomberg, Bank of Baroda Research



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