

MORNING MOCHA

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US labour market data showed that non-farm payrolls rose by 315k in Aug'22, higher than est.: 298k, but lower than previous months' 526k. Unemployment rate also inched up to 3.7% versus est.: 3.5% (unchanged from Jul'22). Investors still expect that there is 75% chance that Fed will hike rates by 75bps in its Sep'22 meeting. Separately, G7 member countries have announced a mechanism to cap prices of Russian oil exports, thus banning transportation/insurance of tankers of Russian crude sold above that cap. This is aimed at draining Russia's war chest, and lowering global energy prices.

- Except Sensex and FTSE (higher), other global stocks closed lower/flat. Markets in the US fell the most as fears of aggressive rate hike by Fed lingered, despite mixed labour market report. Asian markets closed awaiting US jobs data. FTSE gained the most by 1.9%, while Sensex was up by 0.1%. Gains in Sensex led by banking and capital good stocks were countered by losses in oil & gas, auto and metals stocks. It is trading further higher today, while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	1-09-2022	2-09-2022	% change
Dow Jones	31,656	31,318	(1.1)
S & P 500	3,967	3,924	(1.1)
FTSE	7,149	7,281	1.9
Nikkei	27,661	27,651	0
Hang Seng	19,597	19,452	(0.7)
Shanghai Comp	3,185	3,186	0
Sensex	58,767	58,803	0.1
Nifty	17,543	17,539	0

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed against the dollar. GBP and INR fell by 0.3% each, while EUR and CNY rose by 0.1% each. DXY rose by 0.9% to remain near its 20-year high, as investors continue to expect 75bps rate hike from Fed in its Sep'22 meeting. EUR gained as G7 members announced price cap mechanism on Russian oil exports. INR depreciated by 0.3% as oil prices inched up. It is trading further lower today, in line with other Asian currencies.

Fig 2 – Currencies

	1-09-2022	2-09-2022	% change
EUR/USD	0.9946	0.9954	0.1
GBP/USD	1.1545	1.1509	(0.3)
USD/JPY	140.21	140.20	0
USD/INR	79.56	79.80	(0.3)
USD/CNY	6.9070	6.9000	0.1

Source: Bloomberg, Bank of Baroda Research



- Except US, Germany (lower) and Japan (flat), other global yields closed higher. 10Y yields in US and Germany fell by 6bps and 4bps respectively. Mixed US jobs reports contributed to the yield movement. UK's 10Y yield rose the most by 4bps. India's 10Y yield rose by 2bps (7.23%). However, it is trading lower at 7.21% today.

Fig 3 – Bond 10Y yield

	1-09-2022	2-09-2022	change in bps
US	3.25	3.19	(6)
UK	2.88	2.92	4
Germany	1.56	1.53	(4)
Japan	0.24	0.24	0
China	2.63	2.64	1
India	7.22	7.23	2

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	1-09-2022	2-09-2022	change in bps
Tbill-91 days	5.63	5.60	(3)
Tbill-182 days	6.04	6.05	1
Tbill-364 days	6.29	6.30	1
G-Sec 2Y	6.36	6.45	9
SONIA int rate benchmark	1.69	1.69	0
US SOFR	2.29	2.29	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	1-09-2022	2-09-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.4)	(1.8)	(0.3)
Reverse repo	1.2	1.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

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)	(3,627.9)	3,042.5	6,670.4
Debt	(1,255.6)	2,285.2	3,540.8
Equity	(2,372.3)	757.3	3,129.6

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 25th and 26th Aug 2022 | Note: Markets in India were closed on 31 Aug 2022

- Crude oil prices rose by 0.7% to US\$ 93/bbl as investors expect OPEC+ to decide on output cuts to stem weakening prices. However gains were limited by concerns over Covid-19 in China and slowing global demand.

Fig 7 – Commodities

	1-09-2022	2-09-2022	% change
Brent crude (US\$/bbl)	92.4	93.0	0.7
Gold (US\$/ Troy Ounce)	1,697.5	1,712.2	0.9
Copper (US\$/ MT)	7,652.0	7,691.0	0.5
Zinc (US\$/MT)	3,320.5	3,172.5	(4.5)
Aluminium (US\$/MT)	2,295.0	2,295.5	0

Source: Bloomberg, Bank of Baroda Research



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