

## MORNING MOCHA

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Fed officials namely Michael Barr, Mester and Daly spoke about a steeper Fed fund rate path in an effort to bring down inflation sustainably to the targeted 2% level. The upcoming CPI print of the region is going to shed more light. Estimate suggest 0.3% sequential pick up in both CPI and core CPI print. Elsewhere, in China, further stimulus rolled down in the form of extending loan relief for property developers. Even ex-official of PBOC hinted at more borrowing in an effort to give fiscal push to the economy. In the Eurozone, Sentix investor sentiment index dropped to its lowest since Nov'22. In UK, BoE Governor remained affirmative that the past impact of rate hike would translate into lower inflation prints in the coming months. On domestic front, market keenly awaits CPI (Bo Best.: 4.6%) and IIP (4.5%) data releases.

- Barring Nikkei, other global markets ended in green monitoring comments from Fed officials and supported by China' stimulus measures. Investors also braced for the start of the earnings season. Dow Jones and Hang Seng both rose by 0.6% each. Nikkei declined by 0.6%, led by losses in healthcare stocks. Sensex closed 0.1% higher, supported by gains in metal stocks. It is trading further higher today, in line with other Asian stocks.

**Fig 1 – Stock markets**

	7-07-2023	10-07-2023	% change
Dow Jones	33,735	33,944	0.6
S & P 500	4,399	4,410	0.2
FTSE	7,257	7,274	0.2
Nikkei	32,388	32,190	(0.6)
Hang Seng	18,366	18,480	0.6
Shanghai Comp	3,197	3,204	0.2
Sensex	65,280	65,344	0.1
Nifty	19,332	19,356	0.1

Source: Bloomberg, Bank of Baroda Research

- Except CNY, other global currencies appreciated against the dollar. DXY fell by 0.3% to a 2-month low as labour market data showed some degree of strain in the economy. JPY rose the most by 0.6%. INR also appreciated by 0.2% tracking global cues and lower oil prices. It is trading further stronger today, in line with other Asian currencies.

**Fig 2 – Currencies**

	7-07-2023	10-07-2023	% change
EUR/USD (1 EUR / USD)	1.0967	1.1001	0.3
GBP/USD (1 GBP / USD)	1.2839	1.2861	0.2
USD/JPY (JPY / 1 USD)	142.21	141.31	0.6
USD/INR (INR / 1 USD)	82.74	82.58	0.2
USD/CNY (CNY / 1 USD)	7.2254	7.2260	0

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. US 10Y yield fell by 7bps as labour market data showed some degree of softening. Japan's 10Y yield on the other hand rose by 3bps on expectation of adjust in the yield curve control policy. China's 10Y yield closed stable on the back of stimulus. India's 10Y yield fell by 2bps, tracking US yield. It is trading lower at 7.12% today.

**Fig 3 – Bond 10Y yield**

	7-07-2023	10-07-2023	change in bps
US	4.06	3.99	(7)
UK	4.65	4.64	(1)
Germany	2.64	2.64	0
Japan	0.43	0.46	3
China	2.64	2.64	0
India	7.16	7.14	(2)

Source: Bloomberg, Bank of Baroda Research, 07.26 GS 2033 security taken for India

**Fig 4 – Short term rates**

	7-07-2023	10-07-2023	change in bps
Tbill-91 days	6.73	6.72	(1)
Tbill-182 days	6.77	6.81	4
Tbill-364 days	6.85	6.86	1
G-Sec 2Y	7.08	7.08	0-
India OIS-2M	6.63	6.62	(1)
India OIS-9M	6.78	6.79	1
SONIA int rate benchmark	4.93	4.93	0
US SOFR	5.06	5.06	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	7-07-2023	10-07-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.8)	(1.6)	0.2
Reverse repo	0.1	1.2	0.2
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	6-07-2023	7-07-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	431.3	169.4	(262.0)
Debt	87.8	64.0	(23.7)
Equity	343.6	105.3	(238.2)
Mutual funds (Rs cr)	1,144.8	(929.9)	(2,074.7)
Debt	1,298.2	(688.2)	(1,986.4)
Equity	(153.4)	(241.7)	(88.3)

Source: Bloomberg, Bank of Baroda Research

- Oil prices fell amidst demand concerns following weak data from US and China.

**Fig 7 – Commodities**

	7-07-2023	10-07-2023	% change
Brent crude (US\$/bbl)	78.5	77.7	(1.0)
Gold (US\$/ Troy Ounce)	1,925.1	1,925.4	0.0
Copper (US\$/ MT)	8,360.5	8,356.5	0
Zinc (US\$/MT)	2,352.8	2,335.0	(0.8)
Aluminium (US\$/MT)	2,145.5	2,147.0	0.1

Source: Bloomberg, Bank of Baroda Research



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