

MORNING MOCHA

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ECONOMIST
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In the US, PPI data also showed some degree of softening in prices as both on MoM and YoY basis (0.1% each) it moderated more than expected. On YoY basis, it was the smallest increase since CY20. Elsewhere, Fed official Mary Daly also expressed comfort on inflation print in Jun'23. Thus market is pricing in the peak of interest rate hike cycle to come soon. The labour market data surprised as jobless claims rose more than expected to 237K (est.: 250K). In the UK, monthly GDP contracted by 0.1%, which is less than expectation of -0.3%. ECB minutes reflected restrictive policy to continue. Even BoJ ex-official signalled some degree of adjustment in the yield curve control policy. PBOC's Deputy Governor on the other hand spoke of more stimulus.

- Global markets ended higher as a slowing US inflation has raised the likelihood that the Fed may pause after a final rate hike in Jul'23. Markets in Asia rose sharply, brushing off weakness in China's trade data. Hang Seng rose the most, followed by Nikkei. Gains in Sensex were more modest at 0.3%, and were led by technology and real estate stocks. It is trading further higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	12-07-2023	13-07-2023	% change
Dow Jones	34,347	34,395	0.1
S & P 500	4,472	4,510	0.8
FTSE	7,416	7,440	0.3
Nikkei	31,944	32,419	1.5
Hang Seng	18,861	19,351	2.6
Shanghai Comp	3,196	3,236	1.3
Sensex	65,394	65,559	0.3
Nifty	19,384	19,414	0.2

Source: Bloomberg, Bank of Baroda Research

- DXY continued to struggle as US PPI inflation softened, suggesting an end to Fed's rate hike cycle. It fell by 0.7%, to a 15-month low. GBP rose by 1.1% as UK's GDP growth surprised positively. INR appreciated by 0.2%, even as oil prices rose. It is trading further stronger today, in line with its Asian peers.

Fig 2 – Currencies

	12-07-2023	13-07-2023	% change
EUR/USD (1 EUR / USD)	1.1129	1.1226	0.9
GBP/USD (1 GBP / USD)	1.2988	1.3136	1.1
USD/JPY (JPY / 1 USD)	138.50	138.05	0.3
USD/INR (INR / 1 USD)	82.25	82.07	0.2
USD/CNY (CNY / 1 USD)	7.1655	7.1493	0.2

Source: Bloomberg, Bank of Baroda Research



- Except Japan and China (stable), global yields broadly closed lower. All US, UK and Germany's 10Y yield fell by 9bps each. Softening CPI and PPI print in the US provided comfort to investors that rate hike cycle in the US will end soon. India's 10Y yield fell by 4bps, taking global cues. It is trading lower at 7.07% today ahead of auction results.

Fig 3 – Bond 10Y yield

	12-07-2023	13-07-2023	change in bps
US	3.86	3.76	(9)
UK	4.51	4.42	(9)
Germany	2.58	2.49	(9)
Japan	0.47	0.48	0
China	2.64	2.65	0
India	7.12	7.08	(4)

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

Fig 4 – Short term rates

	12-07-2023	13-07-2023	change in bps
Tbill-91 days	6.73	6.71	(2)
Tbill-182 days	6.85	6.84	(1)
Tbill-364 days	6.86	6.86	-
G-Sec 2Y	7.07	7.00	(6)
India OIS-2M	6.61	6.59	(2)
India OIS-9M	6.80	6.75	(4)
SONIA int rate benchmark	4.93	4.93	(0)
US SOFR	5.06	5.05	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	12-07-2023	13-07-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.8)	(2.1)	0.3
Reverse repo	0.5	0.5	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	11-07-2023	12-07-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	217.5	(89.0)	(306.5)
Debt	39.1	(48.5)	(87.5)
Equity	178.4	(40.6)	(219.0)
Mutual funds (Rs cr)	(1,642.3)	1,165.1	2,807.4
Debt	(1,125.9)	(16.7)	1,109.3
Equity	(516.4)	1,181.7	1,698.2

Source: Bloomberg, Bank of Baroda Research, Note: Mutual fund data as of 7th and 10th Jul

- Oil prices rose further amidst upbeat demand outlook and a weaker dollar.

Fig 7 – Commodities

	12-07-2023	13-07-2023	% change
Brent crude (US\$/bbl)	80.1	81.4	1.6
Gold (US\$/ Troy Ounce)	1,957.4	1,960.5	0.2
Copper (US\$/ MT)	8,488.8	8,687.0	2.3
Zinc (US\$/MT)	2,411.0	2,460.3	2.0
Aluminium (US\$/MT)	2,236.0	2,278.0	1.9

Source: Bloomberg, Bank of Baroda Research



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