

MORNING MOCHA

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ECONOMIST

Dipanwita Mazumdar

US Fed in its latest meeting underwent a pause in its 500bps hiking cycle. However, the undertone remained hawkish. Even the median Fed fund rate projection for CY23 has been raised by 50bps to 5.6% from 5.1% earlier. Real GDP projections for CY23 have been revised upward to 1% from 0.4%, while core PCE is expected to inch up to 3.9% from 3.6% earlier. In a separate print, PPI inched down on a sequential basis. Elsewhere, in UK, GDP grew at a robust pace in Apr'23. In China, the 1Y medium term lending rate was reduced to 2.65% from 2.75% earlier. Other macro indicators of the region such as retail sales, fixed assets and industrial production showed some degree of slowdown in the economy. On domestic front, WPI dropped to its 7.5 year low in May'23.

- Global stocks ended mixed. While Fed paused its rate hike cycle as expected, it signalled two more possible rate hikes this year. While Dow Jones fell by 0.7%, S&P 500 rose by 0.1%. Nikkei advanced for the 4th straight session and rose by 1.5%. Sensex also inched up by 0.1%, led by gains in metal and oil and gas stocks. However, it is trading lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	13-06-2023	14-06-2023	% change
Dow Jones	34,212	33,979	(0.7)
S & P 500	4,369	4,373	0.1
FTSE	7,595	7,603	0.1
Nikkei	33,019	33,502	1.5
Hang Seng	19,521	19,408	(0.6)
Shanghai Comp	3,234	3,229	(0.1)
Sensex	63,143	63,229	0.1
Nifty	18,716	18,756	0.2

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed stronger against the dollar. DXY fell by 0.4% as Fed delivered an expected pause in its rate hike cycle. Amongst major currencies, GBP rose the most by 0.4%, as UK's GDP rose by 0.2% in Apr'23 (-0.3% in Mar'23). INR strengthened to a 1-month high supported by lower oil prices and FPI inflows. However, it is trading weaker today, in line with its Asian peers.

Fig 2 – Currencies

	13-06-2023	14-06-2023	% change
EUR/USD (1 EUR / USD)	1.0793	1.0830	0.3
GBP/USD (1 GBP / USD)	1.2612	1.2664	0.4
USD/JPY (JPY / 1 USD)	140.22	140.09	0.1
USD/INR (INR / 1 USD)	82.38	82.11	0.3
USD/CNY (CNY / 1 USD)	7.1662	7.1618	0.1

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. US 10Y yield fell by 3bps as Fed underwent a pause in its policy rate. Germany's 10Y yield rose by 3bps ahead of ECB's policy decision where a 25bps hike is anticipated. China's 10Y yield closed stable as cautiousness prevailed amidst all stimulus measures. India's 10Y yield rose a tad by 1bps. It is trading at 7.03% today.

Fig 3 – Bond 10Y yield

	13-06-2023	14-06-2023	change in bps
US	3.81	3.79	(3)
UK	4.43	4.39	(4)
Germany	2.42	2.45	3
Japan	0.43	0.43	1
China	2.63	2.62	(0)
India	7.00	7.01	1

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

Fig 4 – Short term rates

	13-06-2023	14-06-2023	change in bps
Tbill-91 days	6.84	6.77	(7)
Tbill-182 days	6.86	6.89	3
Tbill-364 days	6.86	6.89	3
G-Sec 2Y	6.93	6.94	2
India OIS-2M	6.58	6.59	1
India OIS-9M	6.61	6.64	2
SONIA int rate benchmark	4.43	4.43	(0)
US SOFR	5.05	5.05	-

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	13-06-2023	14-06-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.6)	(1.5)	0.1
Reverse repo	0.5	0.8	0.3
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	12-06-2023	13-06-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(43.6)	274.8	318.4
Debt	28.5	7.7	(20.8)
Equity	(72.1)	267.1	339.2
Mutual funds (Rs cr)	433.7	840.0	406.3
Debt	842.7	(44.0)	(886.7)
Equity	(409.0)	884.0	1,293.0

Source: Bloomberg, Bank of Baroda Research | Mutual funds data as of 8 and 9th Jun 2023

- Oil prices fell by 1.5% led by an increase in US crude stocks.

Fig 7 – Commodities

	13-06-2023	14-06-2023	% change
Brent crude (US\$/bbl)	74.3	73.2	(1.5)
Gold (US\$/ Troy Ounce)	1,943.7	1,942.5	(0.1)
Copper (US\$/ MT)	8,450.0	8,509.3	0.7
Zinc (US\$/MT)	2,383.5	2,488.0	4.4
Aluminium (US\$/MT)	2,232.0	2,253.5	1.0

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

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