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The much awaited Fed Chair Powell's testimony was in line with markets' expectations. Powell reiterated Fed's hawkish stance and the need for 2 more rate hikes until the end of CY23, in order to bring inflation within the target on a durable basis. For this, the Chair admitted that economic activity will have to be pushed to below trend growth. Labour market still remains tight while showing some signs of loosening. However, market analysts continue to price in less than 2 rate hikes as US economy is expected to cool down in H2CY23, and as a result, DXY fell and US 10Y yield remained unchanged. In UK, on the other hand, inflation is not showing signs of ebbing, which is expected to put further pressure on BoE to hike rates.

- Barring markets in Japan and India (higher), other global indices closed lower, led by decline in Shanghai Comp and Hang Seng. Markets in US too fell as Fed Chair reiterated that more rate hikes are forthcoming in order to push growth below trend rates. In India, Sensex rose by 0.3%, led by power and oil & gas stocks. However, it is trading lower today, while Asian stocks are trading higher.

Fig 1 – Stock markets

	20-06-2023	21-06-2023	% change
Dow Jones	34,054	33,952	(0.3)
S & P 500	4,389	4,366	(0.5)
FTSE	7,569	7,559	(0.1)
Nikkei	33,389	33,575	0.6
Hang Seng	19,607	19,218	(2.0)
Shanghai Comp	3,240	3,198	(1.3)
Sensex	63,328	63,523	0.3
Nifty	18,817	18,857	0.2

Source: Bloomberg, Bank of Baroda Research | Note: markets in US were closed on 19 Jun 2023

- Global currencies closed mixed. While EUR rose the most, JPY declined sharply. DXY was down by 0.5%, as Fed Chair's testimony was in line with expectations, however markets are anticipating a slowdown in economy which will render the need for 2 more rate hikes. INR was up by 0.1%. It is trading further higher today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	20-06-2023	21-06-2023	% change
EUR/USD (1 EUR / USD)	1.0918	1.0986	0.6
GBP/USD (1 GBP / USD)	1.2765	1.2770	0
USD/JPY (JPY / 1 USD)	141.47	141.88	(0.3)
USD/INR (INR / 1 USD)	82.12	82.04	0.1
USD/CNY (CNY / 1 USD)	7.1809	7.1794	0

Source: Bloomberg, Bank of Baroda Research | Note: markets in US were closed on 19 Jun 2023

- Global yields closed mixed. UK's 10Y yield rose the most by 7bps as CPI data rose more than expected on a sequential as well as on YoY basis. Even retail



price index firmed up pointing to robust demand conditions. US 10Y yield closed stable as Fed President's message brought in no new shocks. India's 10Y yield rose by 1bps. It is trading at 7.06% today ahead of release of RBI's minutes.

Fig 3 – Bond 10Y yield

	20-06-2023	21-06-2023	change in bps
US	3.72	3.72	0
UK	4.34	4.41	7
Germany	2.41	2.44	3
Japan	0.39	0.38	(1)
China	2.68	2.67	0
India	7.06	7.07	1

Source: Bloomberg, Bank of Baroda Research, 07.26 GS 2033 security taken for India | Note: markets in US were closed on 19 Jun 2023

Fig 4 – Short term rates

	20-06-2023	21-06-2023	change in bps
Tbill-91 days	6.77	6.71	(6)
Tbill-182 days	6.87	6.89	2
Tbill-364 days	6.86	6.89	3
G-Sec 2Y	6.98	6.98	0
India OIS-2M	6.61	6.61	0
India OIS-9M	6.67	6.67	0
SONIA int rate benchmark	4.43	4.43	0
US SOFR	5.05	5.05	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	20-06-2023	21-06-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.3)	(0.3)	0
Reverse repo	0.9	0.9	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	19-06-2023	20-06-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	185.7	667.9	482.2
Debt	(28.6)	(46.5)	(18.0)
Equity	214.3	714.4	500.1
Mutual funds (Rs cr)	2,108.6	2,462.5	353.9
Debt	1,214.7	2,529.2	1,314.5
Equity	894.0	(66.7)	(960.7)

Source: Bloomberg, Bank of Baroda Research | Mutual funds data as of 16th and 19th Jun 2023

- Oil prices rose by 1.6%, following surprise (-1.2mn barrels versus est.: 300k barrels) decline in US crude oil stocks.

Fig 7 – Commodities

	20-06-2023	21-06-2023	% change
Brent crude (US\$/bbl)	75.9	77.1	1.6
Gold (US\$/ Troy Ounce)	1,936.4	1,932.6	(0.2)
Copper (US\$/ MT)	8,552.3	8,606.3	0.6
Zinc (US\$/MT)	2,342.5	2,406.5	2.7
Aluminium (US\$/MT)	2,230.0	2,223.0	(0.3)

Source: Bloomberg, Bank of Baroda Research



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