

MORNING MOCHA

12 July 2023

ECONOMIST

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Global macro data remained mixed. US small business optimism index rose to its 7-month high in Jun'23. In UK, demand conditions and labour market remained buoyant. The BRC sales data rose by 4.2% in Jun'23 compared to 3.7% in May'23, on YoY basis. The weekly earnings excluding bonus matched its record high increase in Jun'23 (7.3%). This raised hopes of a faster pace of rate hike by BoE. In Germany, CPI rose by 0.3%, on MoM basis, matching expectations. However, Zew survey data reflected dented economic sentiments. In Japan, PPI softened by 0.2% in Jun'23, on MoM basis. Even core machine orders fell at a sharper pace by 7.6% in May'23 against 5.5% increase in Apr'23. On domestic front, capex by CPSEs have reached 32% of their target, higher than same period of previous year.

- Except Nikkei (flat), other global indices ended higher. Investors await US CPI report and earnings reports. US markets edged up led by gains in financial stocks. Stocks in China and Hong Kong advanced as government announced more stimulus measures. Sensex inched up by 0.4%, supported by gains in capital goods and consumer durables stocks. It is trading further higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	10-07-2023	11-07-2023	% change
Dow Jones	33,944	34,261	0.9
S & P 500	4,410	4,439	0.7
FTSE	7,274	7,283	0.1
Nikkei	32,190	32,204	0
Hang Seng	18,480	18,660	1.0
Shanghai Comp	3,204	3,221	0.6
Sensex	65,344	65,618	0.4
Nifty	19,356	19,439	0.4

Source: Bloomberg, Bank of Baroda Research

- Global currencies continued their advance against the dollar. DXY fell for the 4th straight session as investors await US CPI data for further cues on Fed's future rate action. GBP rose by 0.6% as UK's wage growth was higher than expected, raising the possibility of further rate hikes by BoE. INR appreciated by 0.3%. It is trading further stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	10-07-2023	11-07-2023	% change
EUR/USD (1 EUR / USD)	1.1001	1.1009	0.1
GBP/USD (1 GBP / USD)	1.2861	1.2933	0.6
USD/JPY (JPY / 1 USD)	141.31	140.36	0.7
USD/INR (INR / 1 USD)	82.58	82.37	0.3
USD/CNY (CNY / 1 USD)	7.2260	7.2098	0.2

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. US 10Y yield fell by 2bps as some softening on CPI front is expected. UK's 10Y yield on the other hand rose by 2bps eyeing labour market data. Japan and China's 10Y yield closed stable. India's 10Y yield fell by 4bps, on comfortable liquidity conditions. It is trading at the same level today.

Fig 3 – Bond 10Y yield

	10-07-2023	11-07-2023	change in bps
US	3.99	3.97	(2)
UK	4.64	4.66	2
Germany	2.64	2.65	1
Japan	0.46	0.46	0
China	2.64	2.64	0
India	7.14	7.09	(4)

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

Fig 4 – Short term rates

	10-07-2023	11-07-2023	change in bps
Tbill-91 days	6.72	6.71	(1)
Tbill-182 days	6.81	6.78	(3)
Tbill-364 days	6.86	6.85	(1)
G-Sec 2Y	7.08	7.08	-
India OIS-2M	6.62	6.59	(3)
India OIS-9M	6.79	6.76	(3)
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	10-07-2023	11-07-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.6)	(1.4)	0.2
Reverse repo	1.2	0.1	(1.1)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	7-07-2023	10-07-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	169.4	10.2	(159.2)
Debt	64.0	(118.0)	(182.1)
Equity	105.3	128.2	22.9
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

- Oil prices rose by 2% amidst forecast of higher demand by both IEA and OPEC.

Fig 7 – Commodities

	10-07-2023	11-07-2023	% change
Brent crude (US\$/bbl)	77.7	79.4	2.2
Gold (US\$/ Troy Ounce)	1,925.4	1,932.2	0.4
Copper (US\$/ MT)	8,356.5	8,305.0	(0.6)
Zinc (US\$/MT)	2,335.0	2,340.9	0.3
Aluminium (US\$/MT)	2,147.0	2,168.5	1.0

Source: Bloomberg, Bank of Baroda Research



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