

MORNING MOCHA

16 June 2023

ECONOMIST

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Policy decisions remained divergent with ECB raising policy rate by 25bps and hinting at being sufficiently restrictive on the back of elevated inflation. Staff projections place inflation above target in CY25 as well. We do foresee another 25bps hike in the coming policy. BoJ on the other hand, remained fairly dovish keeping policy rate unchanged and hinting at more stimulus in near term. In US, macro data prints, painted a mixed picture. Advance retail sales and core retail sales picked up sequentially in May'23. Jobless claims rose more than expected, reflecting some degree of softening. Even industrial production dropped on a MoM basis. In India, trade deficit rose to a 5-month high at US\$ 22.1bn in May'23 (US\$ 15.1bn in Apr'23) as exports (-10.3%) contracted at a much faster rate than imports (-6.6%).

- Global indices ended mixed. Stocks in US rose the most as retail sales surprised positively. Shanghai Comp rose by 0.7% on expectations of more stimulus to support the economy. After surging to a more than 30 year high, Japan's Nikkei paused its rally and fell by 0.1%. In India, Sensex fell by 0.5%. Banking and real estate stocks led the losses. However, it is trading higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	14-06-2023	15-06-2023	% change
Dow Jones	33,979	34,408	1.3
S & P 500	4,373	4,426	1.2
FTSE	7,603	7,628	0.3
Nikkei	33,502	33,485	(0.1)
Hang Seng	19,408	19,829	2.2
Shanghai Comp	3,229	3,253	0.7
Sensex	63,229	62,918	(0.5)
Nifty	18,756	18,688	(0.4)

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. EUR rose by 1.1% after ECB raised policy rates and signalled more rate hikes. GBP also rose by 0.8% as expectations of more rate hikes by BoE have strengthened. As a result, DXY fell by 0.8%, despite positive macro data. INR depreciated by 0.1% as oil prices inched up. However, it is trading stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	14-06-2023	15-06-2023	% change
EUR/USD (1 EUR / USD)	1.0830	1.0945	1.1
GBP/USD (1 GBP / USD)	1.2664	1.2784	0.9
USD/JPY (JPY / 1 USD)	140.09	140.29	(0.1)
USD/INR (INR / 1 USD)	82.11	82.18	(0.1)
USD/CNY (CNY / 1 USD)	7.1618	7.1210	0.6

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. US 10Y yield fell by 7bps as jobless claims data showed some softening in the labour market. Germany's 10Y yield on the other hand, rose by 5bps amidst ECB President's hawkish comments. India's 10Y yield rose by 3bps, following Fed's hawkish pause and on anticipation that global yields might firm up. It is trading stable today, ahead of auction results.

Fig 3 – Bond 10Y yield

	14-06-2023	15-06-2023	change in bps
US	3.79	3.72	(7)
UK	4.39	4.38	(1)
Germany	2.45	2.50	5
Japan	0.43	0.43	(0)
China	2.62	2.67	4
India	7.01	7.04	3

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

Fig 4 – Short term rates

	14-06-2023	15-06-2023	change in bps
Tbill-91 days	6.77	6.72	(5)
Tbill-182 days	6.89	6.88	(1)
Tbill-364 days	6.89	6.89	-
G-Sec 2Y	6.94	6.96	2
India OIS-2M	6.59	6.62	3
India OIS-9M	6.64	6.65	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	14-06-2023	15-06-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.5)	(1.6)	(0.1)
Reverse repo	0.8	0.5	(0.3)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	13-06-2023	14-06-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	274.8	223.8	(51.0)
Debt	7.7	(2.5)	(10.3)
Equity	267.1	226.3	(40.8)
Mutual funds (Rs cr)	840.0	2,084.3	1,244.3
Debt	(44.0)	548.1	592.1
Equity	884.0	1,536.2	652.2

Source: Bloomberg, Bank of Baroda Research | Mutual funds data as of 9 and 12th Jun 2023

- Oil prices rose by 3.4% led by a jump in refinery runs in China.

Fig 7 – Commodities

	14-06-2023	15-06-2023	% change
Brent crude (US\$/bbl)	73.2	75.7	3.4
Gold (US\$/ Troy Ounce)	1,942.5	1,958.0	0.8
Copper (US\$/ MT)	8,509.3	8,556.0	0.5
Zinc (US\$/MT)	2,488.0	2,480.5	(0.3)
Aluminium (US\$/MT)	2,253.5	2,249.5	(0.2)

Source: Bloomberg, Bank of Baroda Research



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