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Sonal Badhan

As China's economy is showing mixed signs of growth (industrial production up; moderation in retail sales and FAI), investors are expecting a global growth slowdown in Q3. In the wake of this, and slowing prices in the US, analysts expect Fed to pause after announcing a final 25bps hike in Jul'23. Some are even betting on a rate cut from Dec'23. On the other hand, it is certain that BoE and ECB will continue hiking rates for some time. RBA in its minutes released today, also reaffirmed that some more tightening maybe needed as inflation is tending to be stickier than anticipated. Domestically, RBI in its bulletin cautioned that the fight against inflation is not over, and highlighted that growth prospects still remain bright.

- Global indices ended mixed. US indices climbed up ahead of the Q2 earnings season and the release of key macro data (retail sales and industrial production). Shanghai Comp slipped, weighed down by poor GDP print for Q2. On the other hand, Sensex rose, led by strong gains in banking and oil & gas stocks. It is trading higher today, while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	14-07-2023	17-07-2023	% change
Dow Jones	34,509	34,585	0.2
S & P 500	4,505	4,523	0.4
FTSE	7,435	7,406	(0.4)
Nikkei	32,419	32,391	(0.1)
Hang Seng	19,351	19,414	0.3
Shanghai Comp	3,238	3,210	(0.9)
Sensex	66,061	66,590	0.8
Nifty	19,565	19,711	0.8

Source: Bloomberg, Bank of Baroda Research | Markets in Japan and Hong Kong were closed on 17.07.2023

- Barring EUR and INR (higher), other global currencies ended lower. DXY index retreated yet again as it continued to hover for further direction. The attention would move towards upcoming Central Bank decisions scheduled next week. Fed is likely to hike rates for the last time in Jul'23. INR appreciated as oil prices slipped. It is trading lower today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	14-07-2023	17-07-2023	% change
EUR/USD (1 EUR / USD)	1.1228	1.1236	0.1
GBP/USD (1 GBP / USD)	1.3093	1.3073	(0.2)
USD/JPY (JPY / 1 USD)	138.05	138.80	(0.5)
USD/INR (INR / 1 USD)	82.17	82.05	0.1
USD/CNY (CNY / 1 USD)	7.1420	7.1735	(0.4)

Source: Bloomberg, Bank of Baroda Research | Markets in Japan were closed on 17.07.2023

- Global yields mostly ended lower, with 10Y yields in US and Germany (-3bps) dropping the most. Cooler than expected inflation print in the US has given



hopes that Fed might pause after Jul'23 meeting and some are even expecting a rate cut from Dec'23 onwards. India's 10Y also declined by 2bps following global cues and dip in oil prices. It is trading broadly flat today at 7.07%.

Fig 3 – Bond 10Y yield

	14-07-2023	17-07-2023	change in bps
US	3.83	3.81	(3)
UK	4.44	4.43	(1)
Germany	2.51	2.48	(3)
Japan	0.48	0.48	1
China	2.65	2.64	(1)
India	7.09	7.08	(2)

Source: Bloomberg, Bank of Baroda Research, 07.26 GS 2033 security taken for India | Markets in Japan were closed on 17.07.2023

Fig 4 – Short term rates

	14-07-2023	17-07-2023	change in bps
Tbill-91 days	6.71	6.70	(1)
Tbill-182 days	6.84	6.84	0
Tbill-364 days	6.86	6.86	0
G-Sec 2Y	7.02	6.99	(3)
India OIS-2M	6.60	6.59	(1)
India OIS-9M	6.76	6.74	(2)
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	14-07-2023	17-07-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.8)	(1.3)	0.5
Reverse repo	0	0.6	0.6
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	13-07-2023	14-07-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	693.2	404.3	(288.9)
Debt	5.1	5.0	(0.2)
Equity	688.1	399.4	(288.7)
Mutual funds (Rs cr)	431.5	497.9	66.3
Debt	(326.1)	434.8	760.8
Equity	757.6	63.1	(694.5)

Source: Bloomberg, Bank of Baroda Research | | Mutual funds data as of 12 Jul and 13 Jul 2023

- Crude prices declined by 1.7%, as weakened than expected China's macro data (GDP, retail sales, FAI), dented prospects of renewed global demand.

Fig 7 – Commodities

	14-07-2023	17-07-2023	% change
Brent crude (US\$/bbl)	79.9	78.5	(1.7)
Gold (US\$/ Troy Ounce)	1,955.2	1,955.0	0
Copper (US\$/ MT)	8,661.8	8,468.0	(2.2)
Zinc (US\$/MT)	2,418.8	2,392.3	(1.1)
Aluminium (US\$/MT)	2,276.5	2,255.0	(0.9)

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