

MORNING MOCHA

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ECONOMIST
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US industrial production (MoM) in Jun'23 fell again by (-) 0.5% (est.: 0%), at an unchanged rate from May'23. However, manufacturing output fell faster by (-0.3%) in Jun'23, compared with (-) 0.2% in May'23. Contraction in output of mining and utilities also accelerated. Retail sales (MoM) slowed from 0.5% in May'23 to 0.2% (est.: 0.5%) in Jun'23. Retail sales (ex-automobiles & gasoline) also eased to 0.3% from 0.5%. Weaker than anticipated macro data has raised hopes of Fed pausing after Jul'23. ECB officials also believe that inflation may cool down faster, giving wind to expectations of rate cut from Sep'23 onwards. Canada's inflation (2.8% in Jun'23 versus 3.4%) has also fallen within BoC's targeted range (a first time Mar'21).

- Barring Hang Seng and Shanghai Comp, other global indices ended higher. Dow Jones climbed up by 1.1% on the back of strong earnings report, offsetting any negative commentary (weaker than anticipated retail sales). Rally in the domestic market was led by IT and power stocks that drove the Sensex to an all-time high. It is further trading higher today in line with other Asian stocks.

Fig 1 – Stock markets

	17-07-2023	18-07-2023	% change
Dow Jones	34,585	34,952	1.1
S & P 500	4,523	4,555	0.7
FTSE	7,406	7,454	0.6
Nikkei	32,391	32,494	0.3
Hang Seng	19,414	19,016	(2.1)
Shanghai Comp	3,210	3,198	(0.4)
Sensex	66,590	66,795	0.3
Nifty	19,711	19,749	0.2

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

- Global currencies ended mixed. DXY gained by 0.1%. Euro is expected to be lower amidst dovish commentary by ECB officials. GBP ended lower ahead of the release of the CPI data. INR appreciated despite gains in oil prices. It is trading lower today while other Asian currencies are trading mixed.

Fig 2 – Currencies

	17-07-2023	18-07-2023	% change
EUR/USD (1 EUR / USD)	1.1228	1.1229	0
GBP/USD (1 GBP / USD)	1.3093	1.3036	(0.4)
USD/JPY (JPY / 1 USD)	138.80	138.83	0
USD/INR (INR / 1 USD)	82.17	82.03	0.2
USD/CNY (CNY / 1 USD)	7.1420	7.1864	(0.6)

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

- Except Japan (flat), other major global yields ended lower, with 10Y yields in UK and Germany falling the most. ECB official's remark that inflation might fall more quickly than anticipated and that rate cuts can be a possibility from Sep'23



onwards, drove the investor sentiments. Weaker than expected US industrial output and retail sales also gave hope that Fed will end its rate hike cycle.

India's 10Y fell by 2bps following global cues. It is trading flat today at 7.07%.

Fig 3 – Bond 10Y yield

	17-07-2023	18-07-2023	change in bps
US	3.81	3.79	(2)
UK	4.43	4.33	(10)
Germany	2.48	2.39	(9)
Japan	0.48	0.48	0
China	2.64	2.63	(1)
India	7.08	7.06	(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

	17-07-2023	18-07-2023	change in bps
Tbill-91 days	6.70	6.70	0
Tbill-182 days	6.84	6.83	(1)
Tbill-364 days	6.86	6.85	(1)
G-Sec 2Y	6.99	6.98	(1)
India OIS-2M	6.59	6.58	(1)
India OIS-9M	6.74	6.73	(1)
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	17-07-2023	18-07-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.4)	(1.3)	0.1
Reverse repo	0.6	0.6	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	14-07-2023	17-07-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	404.3	85.3	(319.1)
Debt	5.0	23.8	18.9
Equity	399.4	61.4	(337.9)
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 rose by 1.4%, as major central banks signalled cooling inflation, which in turn can help boost global demand.

Fig 7 – Commodities

	17-07-2023	18-07-2023	% change
Brent crude (US\$/bbl)	78.5	79.6	1.4
Gold (US\$/ Troy Ounce)	1,955.0	1,978.7	1.2
Copper (US\$/ MT)	8,468.0	8,445.0	(0.3)
Zinc (US\$/MT)	2,392.3	2,377.3	(0.6)
Aluminium (US\$/MT)	2,255.0	2,203.5	(2.3)

Source: Bloomberg, Bank of Baroda Research



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