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Richmond Fed President Thomas Barkin stated that the US economy could reaccelerate rather than slowdown. This will keep inflationary pressures elevated which will require further monetary policy tightening. Market participants widely expect a pause by the Fed in its next meeting. However, the possibility of another rate hike in CY23 has increased. Early indicators suggest that economic activity in Asian economies stalled further, led by manufacturing sector. Flash manufacturing PMI of Japan and Australia both remained below 50, indicating a contraction in activity. In US, existing home sales declined by 2.2% in Jul'23 to 4.07mn units (est. 4.15mn units) amidst surging mortgage rates. The Indian government In its monthly review, noted that inflationary pressures due to global uncertainty and domestic disruptions would require careful monitoring by RBI and the government.

- Except US, global stocks closed higher. Investors are reluctant to hold any strong positions awaiting major central bank official's speeches. Richmond Fed President remained hawkish stressing on the credibility to maintain 2% inflation target. US stocks moderated following some softening in home sales data. Asian stocks inched up tracking recovery in corporate earnings results. Sensex closed flat. It is trading lower today, while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	21-08-2023	22-08-2023	% change
Dow Jones	34,464	34,289	(0.5)
S & P 500	4,400	4,388	(0.3)
FTSE	7,258	7,271	0.2
Nikkei	31,566	31,857	0.9
Hang Seng	17,623	17,791	1.0
Shanghai Comp	3,093	3,120	0.9
Sensex	65,216	65,220	0
Nifty	19,394	19,396	0

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. DXY rose by 0.3% as all eyes remain on Fed Chair's speech at the end of the week. EUR and GBP depreciated by 0.5% and 0.2% respectively. On the other hand, JPY and INR appreciated by 0.2% each. In line with other Asian currencies, INR is trading weaker today.

Fig 2 – Currencies

	21-08-2023	22-08-2023	% change
EUR/USD (1 EUR / USD)	1.0896	1.0846	(0.5)
GBP/USD (1 GBP / USD)	1.2756	1.2732	(0.2)
USD/JPY (JPY / 1 USD)	146.22	145.89	0.2
USD/INR (INR / 1 USD)	83.11	82.93	0.2
USD/CNY (CNY / 1 USD)	7.2832	7.2940	(0.1)

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. UK's 10Y yield fell by 8bps as market borrowing moderated considerably in Jul'23. Even Germany's 10Y yield fell by 6bps ahead of major central bank officials' speeches. Japan's 10Y yield rose by 2bps. India's 10Y yield closed flat. It is trading at 7.21% today.

Fig 3 – Bond 10Y yield

	21-08-2023	22-08-2023	change in bps
US	4.34	4.32	(1)
UK	4.73	4.65	(8)
Germany	2.70	2.65	(6)
Japan	0.65	0.67	2
China	2.54	2.55	1
India	7.22	7.22	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	21-08-2023	22-08-2023	change in bps
Tbill-91 days	6.81	6.80	(1)
Tbill-182 days	7.01	6.99	(2)
Tbill-364 days	7.03	7.01	(2)
G-Sec 2Y	7.13	7.12	(1)
India OIS-2M	6.78	6.77	(1)
India OIS-9M	6.98	6.97	(1)
SONIA int rate benchmark	5.18	5.18	0
US SOFR	5.30	5.30	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	21-08-2023	22-08-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.2	0.2	0
Reverse repo	0.3	0.3	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	18-08-2023	21-08-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	236.1	114.3	(121.8)
Debt	166.9	268.0	101.1
Equity	69.2	(153.7)	(222.9)
Mutual funds (Rs cr)	1,001.9	563.4	(438.5)
Debt	291.1	75.9	(215.2)
Equity	710.8	487.5	(223.3)

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 2nd and 3rd Aug

- Oil prices moderated amidst fears of dampening demand conditions.

Fig 7 – Commodities

	21-08-2023	22-08-2023	% change
Brent crude (US\$/bbl)	84.5	84.0	(0.5)
Gold (US\$/ Troy Ounce)	1,894.9	1,897.5	0.1
Copper (US\$/ MT)	8,239.0	8,330.7	1.1
Zinc (US\$/MT)	2,295.8	2,314.5	0.8
Aluminium (US\$/MT)	2,144.0	2,177.0	1.5

Source: Bloomberg, Bank of Baroda Research



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