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Ahead of key central bank meetings, flash PMIs of major economies showed signs of increased stress. While, services activity decelerated across the board, manufacturing PMI too deteriorated further. In UK and Eurozone, manufacturing activity fell deeper into the contractionary zone with PMIs at 38-month low. In US manufacturing PMI remained below 50, but improved to 49 from 46.3 in Jun'23. Government in China signalled further support for the economy through measures aimed at boosting domestic demand, support for the property sector as well as management of government debt. GDP growth in South Korea beat estimates to rise by 0.6% in Q2CY23 (est. 0.5%), versus 0.3% in Q1.

- Global stocks ended mixed. Markets in US and UK ended higher. Investors await policy decisions of major central banks for further policy guidance. While most Asian stocks ended lower, Nikkei bucked the trend and rose by 1.2% led by gains in technology and iron and steel stocks. Sensex declined by 0.4% as metal and oil and gas stocks dipped. However, it is trading higher today, in line with other Asian stocks as hopes of more stimulus from China lifted sentiments.

Fig 1 – Stock markets

	21-07-2023	24-07-2023	% change
Dow Jones	35,228	35,411	0.5
S & P 500	4,536	4,555	0.4
FTSE	7,664	7,679	0.2
Nikkei	32,304	32,701	1.2
Hang Seng	19,075	18,668	(2.1)
Shanghai Comp	3,168	3,164	(0.1)
Sensex	66,684	66,385	(0.4)
Nifty	19,745	19,672	(0.4)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY rose by 0.3% awaiting guidance on future rate trajectory of the Fed. EUR depreciated the most by 0.5% as Eurozone's flash composite PMI fell to an 8-month low in Jul'23. INR appreciated by 0.2% to a ~3-month high, supported by FPI inflows. It is trading stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	21-07-2023	24-07-2023	% change
EUR/USD (1 EUR / USD)	1.1124	1.1064	(0.5)
GBP/USD (1 GBP / USD)	1.2854	1.2829	(0.2)
USD/JPY (JPY / 1 USD)	141.73	141.48	0.2
USD/INR (INR / 1 USD)	81.96	81.83	0.2
USD/CNY (CNY / 1 USD)	7.1876	7.1874	0

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. US 10Y yield rose by 2bps as investors await the Fed policy decision. 10Y yield in Germany fell sharply by 7bps as Germany's flash composite PMI slipped into the contractionary zone at 48.3 in Jul'23 (8-month low). Even in UK, 10Y yield fell by 2bps as economic momentum lost pace. India's 10Y fell by 1bps, but is trading higher at 7.09% today.

Fig 3 – Bond 10Y yield

	21-07-2023	24-07-2023	change in bps
US	3.85	3.87	2
UK	4.28	4.26	(2)
Germany	2.49	2.43	(7)
Japan	0.47	0.46	0
China	2.62	2.63	0
India	7.08	7.07	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	21-07-2023	24-07-2023	change in bps
Tbill-91 days	6.69	6.70	1
Tbill-182 days	6.84	6.84	0
Tbill-364 days	6.87	6.86	(1)
G-Sec 2Y	6.98	6.99	1
India OIS-2M	6.61	6.60	(1)
India OIS-9M	6.76	6.77	0
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	21-07-2023	24-07-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.1)	(1.1)	0
Reverse repo	0.6	0.6	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	20-07-2023	21-07-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	694.2	(143.8)	(838.0)
Debt	128.8	27.5	(101.3)
Equity	565.4	(171.3)	(736.7)
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 2023 and 13 Jul 2023

- Oil prices rose as stimulus measures in China are expected to boost demand.

Fig 7 – Commodities

	21-07-2023	24-07-2023	% change
Brent crude (US\$/bbl)	81.1	82.7	2.1
Gold (US\$/ Troy Ounce)	1,961.9	1,954.7	(0.4)
Copper (US\$/ MT)	8,422.5	8,487.8	0.8
Zinc (US\$/MT)	2,356.0	2,405.0	2.1
Aluminium (US\$/MT)	2,204.5	2,209.0	0.2

Source: Bloomberg, Bank of Baroda Research



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