

MORNING MOCHA

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IMF has upgraded the global growth forecast to 3% in CY23 from 2.8% estimated earlier amidst a slowdown in inflation, resolution of US debt ceiling and reduced stress in the banking sector. Within advanced economies (AEs), growth projections for UK was revised up to 0.4% (+0.7pp) and US to 1.8% (+0.2pp). For India, growth forecast for FY24 was revised to 6.1% from 5.9% estimated earlier. Global inflation is expected to moderate to 6.8% in CY23 from 8.7% in CY22. Core inflation, however, is estimated to decline more gradually. Separately in US, the Conference Board consumer confidence index rose to a 2-year high at 117 in Jul'23 (est. 111.8) from 110.1 in Jun'23 amidst slowing inflation and tight labour market. In stark contrast, Ifo's business climate index in Germany slipped to 87.3 (est. 88) from 88.6 in Jun'23. All eyes remain on the Fed. While a 25bps rate hike is expected, investors keenly await guidance on future rate path.

- Barring Nikkei and Sensex, other global indices ended higher. Stocks in Hong Kong and China rose sharply, following new stimulus measures by China. Technology stocks advanced the most. In US, more than expected increase in US consumer confidence index buoyed market sentiments. Sensex ended flat. However, it is trading higher today, while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	24-07-2023	25-07-2023	% change
Dow Jones	35,411	35,438	0.1
S & P 500	4,555	4,567	0.3
FTSE	7,679	7,692	0.2
Nikkei	32,701	32,683	(0.1)
Hang Seng	18,668	19,434	4.1
Shanghai Comp	3,164	3,232	2.1
Sensex	66,385	66,356	0
Nifty	19,672	19,681	0

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY ended flat. Dip in Germany's business climate index weighed on EUR. GBP rose by 0.6% as IMF upgraded UK's growth forecast for CY23. INR depreciated by 0.1% as oil prices rose. It is trading further weaker today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	24-07-2023	25-07-2023	% change
EUR/USD (1 EUR / USD)	1.1064	1.1055	(0.1)
GBP/USD (1 GBP / USD)	1.2829	1.2902	0.6
USD/JPY (JPY / 1 USD)	141.48	140.90	0.4
USD/INR (INR / 1 USD)	81.83	81.87	(0.1)
USD/CNY (CNY / 1 USD)	7.1874	7.1363	0.7

Source: Bloomberg, Bank of Baroda Research



- Except Germany and Japan (flat), other global yields edged up. Investors await key central bank policy decisions and future rate guidance. 10Y yield in China rose the most by 5bps supported by announcement of more stimulus measures by the government. India's 10Y yield rose by 3bps to 7.10% amidst concerns over the inflation trajectory. It is trading flat today.

Fig 3 – Bond 10Y yield

	24-07-2023	25-07-2023	change in bps
US	3.87	3.88	1
UK	4.26	4.27	1
Germany	2.43	2.43	0
Japan	0.46	0.47	0
China	2.63	2.67	5
India	7.07	7.10	3

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	24-07-2023	25-07-2023	change in bps
Tbill-91 days	6.70	6.70	0
Tbill-182 days	6.84	6.80	(4)
Tbill-364 days	6.86	6.86	0
G-Sec 2Y	6.99	7.03	3
India OIS-2M	6.60	6.61	1
India OIS-9M	6.77	6.80	3
SONIA int rate benchmark	4.93	4.93	0
US SOFR	5.05	5.05	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	24-07-2023	25-07-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.1)	(1.4)	(0.3)
Reverse repo	0.6	0.6	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	21-07-2023	24-07-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(143.8)	48.1	191.9
Debt	27.5	20.0	(7.5)
Equity	(171.3)	28.1	199.4
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 amidst expectations of a supply crunch and improved demand.

Fig 7 – Commodities

	24-07-2023	25-07-2023	% change
Brent crude (US\$/bbl)	82.7	83.6	1.1
Gold (US\$/ Troy Ounce)	1,954.7	1,965.0	0.5
Copper (US\$/ MT)	8,487.8	8,641.3	1.8
Zinc (US\$/MT)	2,405.0	2,479.5	3.1
Aluminium (US\$/MT)	2,209.0	2,240.0	1.4

Source: Bloomberg, Bank of Baroda Research



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