

## MORNING MOCHA

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Investors remained cautious ahead of release of US CPI data, where a sequential pickup of 0.2% is expected both for headline print and core CPI. On YoY basis, headline data is expected at 3.3% and core at 4.7% in Jul'23. In Japan, PPI softened for the 7th straight month noting increase of 3.6% compared to 4.3% in Jun'23, on YoY basis. However, sequential momentum inched up slightly to 0.1% compared to 0.1% decline in Jun'23. Elsewhere, President Biden has imposed limits that would impact US investments in Chinese semiconductor firms. On domestic front, RBI maintains status quo, with cautionary tone on inflation.

- Global indices ended mixed as the spotlight turned towards US CPI scheduled to release later today. Amongst other indices S&P 500 dropped the most followed by losses in Nikkei and Shanghai Comp (0.5%). On the other hand, FTSE ended higher led by a rally in energy and mining stocks. Sensex too climbed up supported by strong gains in metal and consumer durable stocks. However, it is trading lower today while other Asian stocks are trading mixed.

**Fig 1 – Stock markets**

|               | 08-08-2023 | 09-08-2023 | % change |
|---------------|------------|------------|----------|
| Dow Jones     | 35,314     | 35,123     | (0.5)    |
| S & P 500     | 4,499      | 4,468      | (0.7)    |
| FTSE          | 7,527      | 7,587      | 0.8      |
| Nikkei        | 32,377     | 32,204     | (0.5)    |
| Hang Seng     | 19,184     | 19,246     | 0.3      |
| Shanghai Comp | 3,261      | 3,244      | (0.5)    |
| Sensex        | 65,847     | 65,996     | 0.2      |
| Nifty         | 19,571     | 19,633     | 0.3      |

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY closed flat awaiting US inflation report. While EUR rose by 0.2%, GBP and JPY depreciated by 0.2% each. CNY inched up after data showed that the economy slipped into deflation in Jul'23. INR closed flat as FPI inflows offset higher oil prices. It is trading little changed today while other Asian currencies are trading mostly lower.

**Fig 2 – Currencies**

|                       | 08-08-2023 | 09-08-2023 | % change |
|-----------------------|------------|------------|----------|
| EUR/USD (1 EUR / USD) | 1.0956     | 1.0974     | 0.2      |
| GBP/USD (1 GBP / USD) | 1.2748     | 1.2719     | (0.2)    |
| USD/JPY (JPY / 1 USD) | 143.38     | 143.73     | (0.2)    |
| USD/INR (INR / 1 USD) | 82.83      | 82.82      | 0        |
| USD/CNY (CNY / 1 USD) | 7.2186     | 7.2107     | 0.1      |

Source: Bloomberg, Bank of Baroda Research

- Global 10Y yields closed mixed. UK's 10Y yield fell by 2bps as house prices saw the most notable fall since CY09. Even US 10Y yield softened a tad by



1bps as CPI is expected to be steady. Germany's 10Y yield rose by 3bps, following CPI report. India's 10Y yield rose a tad by 1bps. It is trading at 7.18% today, tracking RBI's policy decision.

**Fig 3 – Bond 10Y yield**

|         | 08-08-2023 | 09-08-2023 | change in bps |
|---------|------------|------------|---------------|
| US      | 4.02       | 4.01       | (1)           |
| UK      | 4.39       | 4.37       | (2)           |
| Germany | 2.47       | 2.50       | 3             |
| Japan   | 0.61       | 0.58       | (3)           |
| China   | 2.65       | 2.66       | 1             |
| India   | 7.16       | 7.17       | 1             |

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

|                          | 08-08-2023 | 09-08-2023 | change in bps |
|--------------------------|------------|------------|---------------|
| Tbill-91 days            | 6.76       | 6.74       | (2)           |
| Tbill-182 days           | 6.84       | 6.90       | 6             |
| Tbill-364 days           | 6.92       | 6.95       | 3             |
| G-Sec 2Y                 | 7.06       | 7.09       | 3             |
| India OIS-2M             | 6.64       | 6.65       | 1             |
| India OIS-9M             | 6.85       | 6.86       | 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                             | 08-08-2023 | 09-08-2023 | change (Rs tn) |
|-----------------------------------|------------|------------|----------------|
| Net Liquidity (-Surplus/+deficit) | (2.5)      | (2.1)      | 0.4            |
| Reverse repo                      | 0.9        | 0.9        | 0              |
| Repo                              | 0          | 0          | 0              |

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

|                      | 07-08-2023 | 08-08-2023 | change (US\$ mn/Rs cr) |
|----------------------|------------|------------|------------------------|
| FII (US\$ mn)        | 265.2      | (3.8)      | (269.0)                |
| Debt                 | (7.0)      | 3.2        | 10.2                   |
| Equity               | 272.2      | (7.1)      | (279.2)                |
| 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 2<sup>nd</sup> and 3<sup>rd</sup> Aug

- Oil prices rose by 1.6% amidst a sharper drawdown in US crude stockpiles.

**Fig 7 – Commodities**

|                         | 08-08-2023 | 09-08-2023 | % change |
|-------------------------|------------|------------|----------|
| Brent crude (US\$/bbl)  | 86.2       | 87.6       | 1.6      |
| Gold (US\$/ Troy Ounce) | 1,925.2    | 1,914.5    | (0.6)    |
| Copper (US\$/ MT)       | 8,303.0    | 8,363.3    | 0.7      |
| Zinc (US\$/MT)          | 2,486.3    | 2,516.0    | 1.2      |
| Aluminium (US\$/MT)     | 2,200.5    | 2,195.0    | (0.2)    |

Source: Bloomberg, Bank of Baroda Research



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