

## MORNING MOCHA

12 June 2023

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Global markets remained cautious ahead of a slew of macro data releases (inflation, industrial production and retail sales prints in major economies) and central bank meetings in the US, EU and Japan. The CME Fed watch tool is pricing in a 73.6% probability of a pause in Fed fund rate. This has led S&P 500 to reach its new high in CY23. On the other hand, markets are pricing in a 25bps rate hike by ECB. For BoJ, weakness in wage growth would prompt for continuation of the current rates. Even the recent PPI reading falling by 0.7% in May'23 on MoM basis also enumerate the same. In China, PBOC's Governor reiterated his confidence of reaching the growth target of 5% for CY23 amidst a delayed pickup in demand. On domestic front, all eyes will be on CPI (BoB est.: 4.5%) and IIP (1.2%) data releases.

- Apart from UK and India, stock markets elsewhere rose amidst expectations of a pause in the rate hike cycle by the Fed this week. In US, S&P 500 rose by 0.1%, ~20% higher than its low in Oct'22, signalling the start of a bull market. Nikkei rose the most by 2% supported by gains in technology and auto shares. Sensex dipped by 0.4%, as real estate and auto stocks fell. However, it is trading higher today, while other Asian stocks are trading mixed.

**Fig 1 – Stock markets**

	8-06-2023	9-06-2023	% change
Dow Jones	33,834	33,877	0.1
S & P 500	4,294	4,299	0.1
FTSE	7,600	7,562	(0.5)
Nikkei	31,641	32,265	2.0
Hang Seng	19,299	19,390	0.5
Shanghai Comp	3,214	3,231	0.6
Sensex	62,849	62,626	(0.4)
Nifty	18,635	18,563	(0.4)

Source: Bloomberg, Bank of Baroda Research

- Except GBP and INR, other global currencies ended weaker against the dollar. Investor sentiments were subdued ahead of key central bank meetings (Fed, ECB and BoJ). While DXY rose by 0.2%, both EUR and JPY depreciated by 0.3%. INR appreciated by 0.1% as oil prices inched down. However, it is trading a tad weaker today, while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	8-06-2023	9-06-2023	% change
EUR/USD (1 EUR / USD)	1.0782	1.0749	(0.3)
GBP/USD (1 GBP / USD)	1.2560	1.2572	0.1
USD/JPY (JPY / 1 USD)	138.92	139.40	(0.3)
USD/INR (INR / 1 USD)	82.57	82.47	0.1
USD/CNY (CNY / 1 USD)	7.1118	7.1305	(0.3)

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. Market sentiments remained cautious ahead of key central bank policy decisions. US 10Y yield inched up by 2bps, while Germany and China's 10Y yield fell by 3 and 2bps respectively. Market is also expecting more monetary stimulus in terms of rate cut from PBOC. India's 10Y yield rose a tad by 1bps. It is trading at 7.03% today, ahead of major macro releases.

**Fig 3 – Bond 10Y yield**

	8-06-2023	9-06-2023	change in bps
US	3.72	3.74	2
UK	4.23	4.24	1
Germany	2.40	2.38	(3)
Japan	0.44	0.43	(1)
China	2.71	2.69	(2)
India	7.02	7.04	1

Source: Bloomberg, Bank of Baroda Research, 07.26 GS 2033 security taken for India

**Fig 4 – Short term rates**

	8-06-2023	9-06-2023	change in bps
Tbill-91 days	6.74	6.77	3
Tbill-182 days	6.82	6.87	5
Tbill-364 days	6.85	6.86	1
G-Sec 2Y	6.90	6.88	(3)
India OIS-2M	6.60	6.58	(2)
India OIS-9M	6.66	6.64	(3)
SONIA int rate benchmark	4.43	4.43	0
US SOFR	5.05	5.05	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	8-06-2023	9-06-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.0)	(1.7)	0.3
Reverse repo	1.5	0.5	(1.0)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	7-05-2023	8-05-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	193.0	40.7	(152.3)
Debt	18.1	(33.5)	(51.6)
Equity	175.0	74.2	(100.7)
Mutual funds (Rs cr)	662.4	(30.6)	(693.0)
Debt	1,344.9	(327.1)	(1,672.0)
Equity	(682.5)	296.5	978.9

Source: Bloomberg, Bank of Baroda Research | Mutual funds data as of 6 and 7<sup>th</sup> Jun 2023

- Oil prices declined by 1.5% amidst increased production in the US.

**Fig 7 – Commodities**

	8-06-2023	9-06-2023	% change
Brent crude (US\$/bbl)	76.0	74.8	(1.5)
Gold (US\$/ Troy Ounce)	1,965.5	1,961.2	(0.2)
Copper (US\$/ MT)	8,336.0	8,349.0	0.2
Zinc (US\$/MT)	2,407.0	2,401.0	(0.2)
Aluminium (US\$/MT)	2,254.5	2,268.0	0.6

Source: Bloomberg, Bank of Baroda Research



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