

MORNING MOCHA

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In the US, CPI print dropped to its lowest since Mar'21 recording a print of 4% in May'23 on YoY basis (est.:4.1%) and compared to 4.9% in Apr'23. This was led by falling gasoline prices. On MoM basis, CPI moderated to 0.1% in May'23 compared to 0.4% in Apr'23. Core on the other hand remained stickier at 5.3%, driven by used car and shelter prices. CME Fed watch tool is now attaching a 94.2% probability of a pause by Fed. In UK, labour market conditions remained tight with employment climbing above its pre-pandemic level. Even the average weekly earnings firmed up. BoE Governor also reiterated his concerns about elevated inflation against this backdrop. On domestic front, news reports suggested that government will review the PLI scheme by end of this fiscal.

- Global stocks ended higher as expectations of a pause by the Fed were boosted after US CPI data. Surprise cut in short-term borrowing rate by PBOC to support growth, also lifted investor sentiments. Nikkei rose the most by 1.8% to a 33-year high, led by a rally in technology and auto stocks. Sensex rose 0.7%, as real estate and consumer durables stocks posted solid gains. However, it is trading lower today, while other Asian stocks are mostly higher.

Fig 1 – Stock markets

	12-06-2023	13-06-2023	% change
Dow Jones	34,066	34,212	0.4
S & P 500	4,339	4,369	0.7
FTSE	7,571	7,595	0.3
Nikkei	32,434	33,019	1.8
Hang Seng	19,404	19,521	0.6
Shanghai Comp	3,229	3,234	0.1
Sensex	62,725	63,143	0.7
Nifty	18,602	18,716	0.6

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY fell by 0.3% as US CPI data bolstered the case for a pause in rates. CNY depreciated by 0.3% to a ~6-month low as PBOC cut its 7-day reverse repo rate. GBP rose by 0.8% as stronger wage growth has raised the possibility of further rate hikes. INR appreciated by 0.1%. It is trading further stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	12-06-2023	13-06-2023	% change
EUR/USD (1 EUR / USD)	1.0757	1.0793	0.3
GBP/USD (1 GBP / USD)	1.2509	1.2612	0.8
USD/JPY (JPY / 1 USD)	139.60	140.22	(0.4)
USD/INR (INR / 1 USD)	82.43	82.38	0.1
USD/CNY (CNY / 1 USD)	7.1464	7.1662	(0.3)

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. UK's 10Y yield rose by 10bps amidst hawkish comments from BoE Governor and supported by tighter labour market data. US 10Y yield rose by 8bps as core still remained sticky. China's 10Y yield fell by 6bps as May'23 credit report showed some softening in activity. India's 10Y yield fell by 2bps. It is trading lower at 7.01% today, ahead of WPI data.

Fig 3 – Bond 10Y yield

	12-06-2023	13-06-2023	change in bps
US	3.74	3.81	8
UK	4.34	4.43	10
Germany	2.39	2.42	4
Japan	0.43	0.43	(1)
China	2.69	2.63	(6)
India	7.02	7.00	(2)

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

Fig 4 – Short term rates

	12-06-2023	13-06-2023	change in bps
Tbill-91 days	6.83	6.84	1
Tbill-182 days	6.86	6.86	0
Tbill-364 days	6.86	6.86	0
G-Sec 2Y	6.91	6.93	2
India OIS-2M	6.57	6.58	1
India OIS-9M	6.62	6.61	(1)
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	12-06-2023	13-06-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.6)	(1.6)	0
Reverse repo	0.6	0.5	(0.1)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	09-06-2023	12-06-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(3.9)	(43.6)	(39.7)
Debt	12.3	28.5	16.2
Equity	(16.2)	(72.1)	(55.9)
Mutual funds (Rs cr)	433.7	840.0	406.3
Debt	842.7	(44.0)	(886.7)
Equity	(409.0)	884.0	1,293.0

Source: Bloomberg, Bank of Baroda Research | Mutual funds data as of 8 Jun 2023 and 9 Jun 2023

- Oil prices inched up by 3.4% amidst hopes of demand recovery from China.

Fig 7 – Commodities

	12-06-2023	13-06-2023	% change
Brent crude (US\$/bbl)	71.8	74.3	3.4
Gold (US\$/ Troy Ounce)	1,957.8	1,943.7	(0.7)
Copper (US\$/ MT)	8,282.0	8,450.0	2.0
Zinc (US\$/MT)	2,347.3	2,383.5	1.5
Aluminium (US\$/MT)	2,228.0	2,232.0	0.2

Source: Bloomberg, Bank of Baroda Research



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