

MORNING MOCHA

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Amidst the news of Chinese property developer filing for bankruptcy claims and dismal economic data, there has been growing concerns around uneven recovery in the economy. PBoC has reiterated in order to support the economy it will provide 'precise and forceful' policy. However, investors remain wary and expect stronger stimulus response from policymakers. Global Central Banks including Fed and BoE are expected to continue with rate hikes and this has pushed global yields higher. Separately US jobless claims declined more than expected signalling tighter labour market. In Japan, headline inflation remained steady at 3.3% in Jul'23 while core inflation eased to 3.1% (3.3% in Jun'23) much in line with BoJ's view.

- Barring Hang Seng (flat) and Shanghai Comp (higher), global indices ended lower. Markets have anticipated another rate hike by Fed to cool off the economy. Even the recent jobless claims data pointed towards a tighter labour market conditions. US stocks fell the most. Despite news of woes in the real estate sector in China, Shanghai Comp inched up on hopes of stimulus. Sensex fell by 0.6% led by oil and gas and capital goods stocks. It is trading further lower today in line with other Asian stocks.

Fig 1 – Stock markets

	16-08-2023	17-08-2023	% change
Dow Jones	34,766	34,475	(0.8)
S & P 500	4,404	4,370	(0.8)
FTSE	7,357	7,310	(0.6)
Nikkei	31,767	31,626	(0.4)
Hang Seng	18,329	18,327	(0.0)
Shanghai Comp	3,150	3,164	0.4
Sensex	65,539	65,151	(0.6)
Nifty	19,465	19,365	(0.5)

Source: Bloomberg, Bank of Baroda Research

- Barring EUR and INR, other global currencies ended higher. DXY edged up further after Fed minutes highlighted hawkish tone and was further supported by stronger economic data (single family home building and US factory output-registered improvement). Yen rebounded and rose by 0.3%. INR is trading stronger today while other Asian currencies are trading mixed.

Fig 2 – Currencies

	16-08-2023	17-08-2023	% change
EUR/USD (1 EUR / USD)	1.0879	1.0872	(0.1)
GBP/USD (1 GBP / USD)	1.2732	1.2747	0.1
USD/JPY (JPY / 1 USD)	146.35	145.84	0.3
USD/INR (INR / 1 USD)	82.96	83.15	(0.2)
USD/CNY (CNY / 1 USD)	7.2985	7.2866	0.2

Source: Bloomberg, Bank of Baroda Research Note: INR was closed 16th Aug 2023



- Except China (stable), global yields closed higher. UK's 10Y yield rose the most by 10bps; highest since Oct'08, as investors are pricing in a steeper move by BoE amidst fears of elevated inflation. India's 10Y yield rose by 4bps as headline CPI outpaced market expectations. It is trading lower at 7.23% today.

Fig 3 – Bond 10Y yield

	16-08-2023	17-08-2023	change in bps
US	4.25	4.27	2
UK	4.65	4.75	10
Germany	2.65	2.71	6
Japan	0.63	0.65	2
China	2.57	2.57	0
India	7.21	7.25	4

Source: Bloomberg, Bank of Baroda Research, Note: Indian market was closed on 16th Aug 2023

Fig 4 – Short term rates

	16-08-2023	17-08-2023	change in bps
Tbill-91 days	6.78	6.85	7
Tbill-182 days	6.93	7.00	7
Tbill-364 days	6.93	7.05	12
G-Sec 2Y	7.14	7.19	5
India OIS-2M	6.70	6.78	8
India OIS-9M	6.92	6.92	0
SONIA int rate benchmark	5.18	5.18	0
US SOFR	5.30	5.30	0

Source: Bloomberg, Bank of Baroda Research, Note: Indian market was closed 16th Aug 2023

Fig 5 – Liquidity

Rs tn	14-08-2023	16-08-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.2)	(1.0)	(0.8)
Reverse repo	0.3	0.3	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	11-08-2023	14-08-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(153.7)	1,084.2	1,238.0
Debt	152.4	42.3	(110.2)
Equity	(306.2)	1,042.0	1,348.2
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 2nd and 3rd Aug

- Oil prices rose by 0.8% as US gasoline stocks moderated.

Fig 7 – Commodities

	16-08-2023	17-08-2023	% change
Brent crude (US\$/bbl)	83.5	84.1	0.8
Gold (US\$/ Troy Ounce)	1,891.8	1,889.4	(0.1)
Copper (US\$/ MT)	8,115.3	8,200.9	1.1
Zinc (US\$/MT)	2,279.3	2,285.5	0.3
Aluminium (US\$/MT)	2,143.0	2,145.5	0.1

Source: Bloomberg, Bank of Baroda Research



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