

MORNING MOCHA

19 July 2023

ECONOMIST
Sonal Badhan

US industrial production (MoM) in Jun'23 fell again by (-) 0.5% (est.: 0%), at an unchanged rate from May'23. However, manufacturing output fell faster by (-0.3%) in Jun'23, compared with (-) 0.2% in May'23. Contraction in output of mining and utilities also accelerated. Retail sales (MoM) slowed from 0.5% in May'23 to 0.2% (est.: 0.5%) in Jun'23. Retail sales (ex-automobiles & gasoline) also eased to 0.3% from 0.5%. Weaker than anticipated macro data has raised hopes of Fed pausing after Jul'23. ECB officials also believe that inflation may cool down faster, giving wind to expectations of rate cut from Sep'23 onwards. Canada's inflation (2.8% in Jun'23 versus 3.4%) has also fallen within BoC's targeted range (a first time Mar'21).

- Barring Hang Seng and Shanghai Comp, other global indices ended higher. Dow Jones climbed up by 1.1% on the back of strong earnings report, offsetting any negative commentary (weaker than anticipated retail sales). Rally in the domestic market was led by IT and power stocks that drove the Sensex to an all-time high. It is further trading higher today in line with other Asian stocks.

Fig 1 – Stock markets

	17-07-2023	18-07-2023	% change
Dow Jones	34,585	34,952	1.1
S & P 500	4,523	4,555	0.7
FTSE	7,406	7,454	0.6
Nikkei	32,391	32,494	0.3
Hang Seng	19,414	19,016	(2.1)
Shanghai Comp	3,210	3,198	(0.4)
Sensex	66,590	66,795	0.3
Nifty	19,711	19,749	0.2

Source: Bloomberg, Bank of Baroda Research | Markets in Japan and Hong Kong were closed on 17.07.2023

- Global currencies ended mixed. DXY gained by 0.1%. Euro is expected to be lower amidst dovish commentary by ECB officials. GBP ended lower ahead of the release of the CPI data. INR appreciated despite gains in oil prices. It is trading lower today while other Asian currencies are trading mixed.

Fig 2 – Currencies

	17-07-2023	18-07-2023	% change
EUR/USD (1 EUR / USD)	1.1228	1.1229	0
GBP/USD (1 GBP / USD)	1.3093	1.3036	(0.4)
USD/JPY (JPY / 1 USD)	138.80	138.83	0
USD/INR (INR / 1 USD)	82.17	82.03	0.2
USD/CNY (CNY / 1 USD)	7.1420	7.1864	(0.6)

Source: Bloomberg, Bank of Baroda Research | Markets in Japan were closed on 17.07.2023

- Except Japan (flat), other major global yields ended lower, with 10Y yields in UK and Germany falling the most. ECB official's remark that inflation might fall more quickly than anticipated and that rate cuts can be a possibility from Sep'23



onwards, drove the investor sentiments. Weaker than expected US industrial output and retail sales also gave hope that Fed will end its rate hike cycle.

India's 10Y fell by 2bps following global cues. It is trading flat today at 7.07%.

Fig 3 – Bond 10Y yield

	17-07-2023	18-07-2023	change in bps
US	3.81	3.79	(2)
UK	4.43	4.33	(10)
Germany	2.48	2.39	(9)
Japan	0.48	0.48	0
China	2.64	2.63	(1)
India	7.08	7.06	(2)

Source: Bloomberg, Bank of Baroda Research, 07.26 GS 2033 security taken for India | Markets in Japan were closed on 17.07.2023

Fig 4 – Short term rates

	17-07-2023	18-07-2023	change in bps
Tbill-91 days	6.70	6.70	0
Tbill-182 days	6.84	6.83	(1)
Tbill-364 days	6.86	6.85	(1)
G-Sec 2Y	6.99	6.98	(1)
India OIS-2M	6.59	6.58	(1)
India OIS-9M	6.74	6.73	(1)
SONIA int rate benchmark	4.93	4.93	0
US SOFR	5.06	5.05	(1)

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	17-07-2023	18-07-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.4)	(1.3)	0.1
Reverse repo	0.6	0.6	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	14-07-2023	17-07-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	404.3	85.3	(319.1)
Debt	5.0	23.8	18.9
Equity	399.4	61.4	(337.9)
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 and 13 Jul 2023

- Crude prices rose by 1.4%, as major central banks signalled cooling inflation, which in turn can help boost global demand.

Fig 7 – Commodities

	17-07-2023	18-07-2023	% change
Brent crude (US\$/bbl)	78.5	79.6	1.4
Gold (US\$/ Troy Ounce)	1,955.0	1,978.7	1.2
Copper (US\$/ MT)	8,468.0	8,445.0	(0.3)
Zinc (US\$/MT)	2,392.3	2,377.3	(0.6)
Aluminium (US\$/MT)	2,255.0	2,203.5	(2.3)

Source: Bloomberg, Bank of Baroda Research



Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at



For further details about this publication, please contact:

Chief Economist

Bank of Baroda

chief.economist@bankofbaroda.com