

MORNING MOCHA

19 June 2023

ECONOMIST
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Global Central Bank continued to remain divergent with Bank of Japan sticking to its ultra-easy monetary policy. They have signalled the possibility to 'patiently' continue with the same policy with focus on economic recovery. Any rate hikes have currently been ruled out even as inflation climbs up. This comes in the wake of ECB hiking rates to a 22-year high and hinted of more tightening in order to counter elevated inflation. On the other hand, US Fed kept policy rates on hold during the week, breaking away from the streak of 10 consecutive rate hike. All eyes will now be on BoE with higher expectation of rate hikes and ahead of CPI data release.

- Except US, global indices ended higher. US stocks fell amidst comments from Fed officials such as Christopher Waller and Thomas Barkin, who spoke of stubbornly high core inflation. Thus signalling that rate hike cycle might continue. Amongst other indices, Asian stocks rose the most, as BoJ signalled more stimulus might be forthcoming. In India, Sensex rose by 0.7% led by banking and capital goods stocks. However, it is trading higher today, while Asian stocks are trading lower, eyeing US Secretary of State's visit in China.

Fig 1 – Stock markets

	15-06-2023	16-06-2023	% change
Dow Jones	34,408	34,299	(0.3)
S & P 500	4,426	4,410	(0.4)
FTSE	7,628	7,643	0.2
Nikkei	33,485	33,706	0.7
Hang Seng	19,829	20,040	1.1
Shanghai Comp	3,253	3,273	0.6
Sensex	62,918	63,385	0.7
Nifty	18,688	18,826	0.7

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. GBP rose by 0.3% ahead of CPI release and greater likelihood of more rate hikes in the upcoming monetary policy meet. Yen slipped by 1.1% after BoJ continued with its ultra-low interest rate policy. DXY inched up by 0.1%. INR appreciated by 0.3%. However, it is trading weaker today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	15-06-2023	16-06-2023	% change
EUR/USD (1 EUR / USD)	1.0945	1.0937	(0.1)
GBP/USD (1 GBP / USD)	1.2784	1.2817	0.3
USD/JPY (JPY / 1 USD)	140.29	141.82	(1.1)
USD/INR (INR / 1 USD)	82.18	81.94	0.3
USD/CNY (CNY / 1 USD)	7.1210	7.1269	(0.1)

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. US 10Y yield rose by 4bps amidst hawkish comments from Fed officials. Even UK's 10Y yield rose by 3bps as market is expecting 25bps hike in BoE's next policy. Japan's 10Y yield on the other hand, fell by 2bps following its dovish policy. India's 10Y yield closed flat. Cut off yield for the 2033 security inched up by 6bps. It is trading at 7.03%.

Fig 3 – Bond 10Y yield

	15-06-2023	16-06-2023	change in bps
US	3.72	3.76	4
UK	4.38	4.41	3
Germany	2.50	2.47	(3)
Japan	0.43	0.41	(2)
China	2.67	2.68	1
India	7.04	7.04	0

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

Fig 4 – Short term rates

	15-06-2023	16-06-2023	change in bps
Tbill-91 days	6.72	6.75	3
Tbill-182 days	6.88	6.89	1
Tbill-364 days	6.89	6.89	0
G-Sec 2Y	6.96	6.96	0
India OIS-2M	6.62	6.62	0
India OIS-9M	6.65	6.65	0
SONIA int rate benchmark	4.43	4.43	0
US SOFR	5.05	5.06	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	15-06-2023	16-06-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.6)	(0.9)	0.7
Reverse repo	0.5	0	(0.5)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	14-06-2023	15-06-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	223.8	348.0	124.2
Debt	(2.5)	(51.3)	(48.8)
Equity	226.3	399.3	173.0
Mutual funds (Rs cr)	2,084.3	1,733.0	(351.3)
Debt	548.1	1,742.7	1,194.6
Equity	1,536.2	(9.7)	(1,545.9)

Source: Bloomberg, Bank of Baroda Research | Mutual funds data as of 12th and 13th Jun 2023

- Oil prices rose by 1.2% led by supply cuts from OPEC+.

Fig 7 – Commodities

	15-06-2023	16-06-2023	% change
Brent crude (US\$/bbl)	75.7	76.6	1.2
Gold (US\$/ Troy Ounce)	1,958.0	1,958.0	0
Copper (US\$/ MT)	8,556.0	8,555.0	0
Zinc (US\$/MT)	2,480.5	2,477.3	(0.1)
Aluminium (US\$/MT)	2,249.5	2,271.0	1.0

Source: Bloomberg, Bank of Baroda Research



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