

## MORNING MOCHA

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ECONOMIST  
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Labour market data for US shows that it continues to strengthen, as initial jobless claims for the week ending 15 Jul'23 fell by 9k to 228k (est.: 241k). The 4-week moving average also saw a dip of 9.2k. On the other hand, after registering a dip in new home sales, existing home sales data also showed a decline in Jun'23 (-3.3% MoM), following 0.2% increase in May'23. In Japan also, some signs of slowdown are visible with export growth in Jun'23 rebounding less (+1.5% YoY) than estimated (+2.6%), compared with last month (+0.6%). Further, data shows that CPI again rose in Jun'23 (3.3%) from 3.2% in May'23. Core CPI (ex-fresh food) also advanced. While no immediate change in BoJ policy (due next week) is expected, but it might push the central bank to begin tightening eventually.

- Global indices ended mixed. Dow Jones continued its upward momentum, however S&P500 took a breather and ended lower led by disappointing results from tech firms. Cooler than anticipated inflation data in UK, pushed FTSE higher. Sensex advanced further led by gains in banking and oil & gas stocks. However, it is trading lower today in line with other Asian stocks.

**Fig 1 – Stock markets**

	19-07-2023	20-07-2023	% change
Dow Jones	35,061	35,225	0.5
S & P 500	4,566	4,535	(0.7)
FTSE	7,588	7,646	0.8
Nikkei	32,896	32,491	(1.2)
Hang Seng	18,952	18,928	(0.1)
Shanghai Comp	3,199	3,170	(0.9)
Sensex	67,097	67,572	0.7
Nifty	19,833	19,979	0.7

Source: Bloomberg, Bank of Baroda Research

- Barring INR and CNY, other global currencies ended lower. Dollar index firmed up (0.6%) amidst news of labour market tightness. Euro retreated even as inflation eased and focus shifted towards upcoming ECB meet next week. INR appreciated by 0.1%. It is trading weaker today while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	19-07-2023	20-07-2023	% change
EUR/USD (1 EUR / USD)	1.1201	1.1130	(0.6)
GBP/USD (1 GBP / USD)	1.2940	1.2868	(0.6)
USD/JPY (JPY / 1 USD)	139.65	140.07	(0.3)
USD/INR (INR / 1 USD)	82.10	81.99	0.1
USD/CNY (CNY / 1 USD)	7.2232	7.1796	0.6

Source: Bloomberg, Bank of Baroda Research



- Except Japan and China (flat), other major global yields ended higher. 10Y yields in US, UK and Germany rose significantly. Latest US labour market data has revived fears that interest rates may remain elevated for longer than previously anticipated and thus diminished hopes of rate cuts this year. India's 10Y rose by 1bps, following global cues. It is trading higher at 7.10% today.

**Fig 3 – Bond 10Y yield**

	19-07-2023	20-07-2023	change in bps
US	3.75	3.85	10
UK	4.22	4.28	6
Germany	2.44	2.49	5
Japan	0.47	0.47	0
China	2.63	2.62	0
India	7.08	7.08	1

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

**Fig 4 – Short term rates**

	19-07-2023	20-07-2023	change in bps
Tbill-91 days	6.70	6.69	(1)
Tbill-182 days	6.85	6.84	(1)
Tbill-364 days	6.87	6.87	0
G-Sec 2Y	6.98	6.98	0
India OIS-2M	6.60	6.61	1
India OIS-9M	6.75	6.76	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	19-07-2023	20-07-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.1)	(1.1)	0
Reverse repo	0.6	0.6	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	18-07-2023	19-07-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	361.5	245.8	(115.8)
Debt	53.5	(21.4)	(74.9)
Equity	308.1	267.2	(40.8)
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 0.2%, following drop in US crude inventories.

**Fig 7 – Commodities**

	19-07-2023	20-07-2023	% change
Brent crude (US\$/bbl)	79.5	79.6	0.2
Gold (US\$/ Troy Ounce)	1,976.6	1,969.5	(0.4)
Copper (US\$/ MT)	8,401.8	8,460.8	0.7
Zinc (US\$/MT)	2,344.5	2,369.8	1.1
Aluminium (US\$/MT)	2,190.5	2,201.0	0.5

Source: Bloomberg, Bank of Baroda Research



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