

MORNING MOCHA

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ECONOMIST
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BoE surprised the markets with a higher (+50bps) than anticipated (+25bps) rate hike in its Jun'23 policy meeting, stating "persistence in inflation process, tight labour market and resilience in demand" as the rationale. Central Bank of Switzerland also raised rates by 25bps and commented that its policy is still not "tight enough". These banks join Fed's hawkish stance. Domestically also, RBI's minutes show that the central bank is worried about the impact of monsoon on inflation. In US, labour market is showing slight signs of cooling down as 4-week moving average of initial jobless claims (week ending 17 Jun) rose to 256k (highest since Nov'21) from 247k last week). Existing home sales however continue to increase (+0.2% MoM).

- Barring US, other global indices fell. Macro data from the US (jobless claims and pick up in home sales), hawkish comments from BoE and Swiss National Bank, impacted global investor sentiments. In India, Sensex fell by 0.4%, led by power, realty and tech stocks. It is trading further lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	21-06-2023	22-06-2023	% change
Dow Jones	33,952	33,947	0
S & P 500	4,366	4,382	0.4
FTSE	7,559	7,502	(0.8)
Nikkei	33,575	33,265	(0.9)
Hang Seng	19,607	19,218	(2.0)
Shanghai Comp	3,240	3,198	(1.3)
Sensex	63,523	63,239	(0.4)
Nifty	18,857	18,771	(0.5)

Source: Bloomberg, Bank of Baroda Research | Note: markets in China and HK were closed on 22 Jun 2023

- Major global currencies ended lower. JPY and EUR declined the most. DXY was up by 0.3% supported by safe haven demand. US data (homes sales) and hawkish commentary by other central banks as well, has reignited global growth concerns. INR was up by 0.1%, as oil prices fell. However, it is trading lower today, in line with other Asian currencies.

Fig 2 – Currencies

	21-06-2023	22-06-2023	% change
EUR/USD (1 EUR / USD)	1.0986	1.0956	(0.3)
GBP/USD (1 GBP / USD)	1.2770	1.2748	(0.2)
USD/JPY (JPY / 1 USD)	141.88	143.11	(0.9)
USD/INR (INR / 1 USD)	82.04	81.95	0.1
USD/CNY (CNY / 1 USD)	7.1809	7.1794	0

Source: Bloomberg, Bank of Baroda Research | Note: markets in China were closed on 22 Jun 2023

- Global yields closed mixed. 10Y yields in US and Germany rose the most. Investors reacted to Fed Chair Powell's testimony and continued increase in



interest rates by other major central banks. UK saw steepening of the yield curve with short-term yields inching up and longer end declining. India's 10Y yield rose by 2bps, as RBI's minutes showed that members are worried about the impact of monsoon. It is trading flat today.

Fig 3 – Bond 10Y yield

	21-06-2023	22-06-2023	change in bps
US	3.72	3.79	8
UK	4.41	4.37	(4)
Germany	2.44	2.49	6
Japan	0.38	0.38	0
China	2.68	2.67	0
India	7.07	7.09	2

Source: Bloomberg, Bank of Baroda Research, 07.26 GS 2033 security taken for India | Note: markets in China were closed on 22 Jun 2023

Fig 4 – Short term rates

	21-06-2023	22-06-2023	change in bps
Tbill-91 days	6.71	6.70	(1)
Tbill-182 days	6.89	6.87	(2)
Tbill-364 days	6.89	6.87	(2)
G-Sec 2Y	6.98	7.00	2
India OIS-2M	6.61	6.60	(1)
India OIS-9M	6.67	6.69	2
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	21-06-2023	22-06-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.3)	(0.4)	(0.1)
Reverse repo	0.9	0.9	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	20-06-2023	21-06-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	667.9	594.7	(73.1)
Debt	(46.5)	(76.2)	(29.7)
Equity	714.4	670.9	(43.5)
Mutual funds (Rs cr)	2,462.5	4,033.2	1,570.7
Debt	2,529.2	1,236.1	(1,293.0)
Equity	(66.7)	2,797.1	2,863.7

Source: Bloomberg, Bank of Baroda Research | Mutual funds data as of 19th and 20th Jun 2023

- Oil prices fell by 3.9% as BoE shocker revived concerns over global demand.

Fig 7 – Commodities

	21-06-2023	22-06-2023	% change
Brent crude (US\$/bbl)	77.1	74.1	(3.9)
Gold (US\$/ Troy Ounce)	1,932.6	1,914.0	(1.0)
Copper (US\$/ MT)	8,606.3	8,579.3	(0.3)
Zinc (US\$/MT)	2,406.5	2,445.0	1.6
Aluminium (US\$/MT)	2,223.0	2,201.0	(1.0)

Source: Bloomberg, Bank of Baroda Research



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