

MORNING MOCHA

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Market focus remains on major central bank meetings as the Fed, Bank of Japan (BoJ) and European Central Bank (ECB) meet later in the week. While both Fed and ECB are expected to hike rates by 25bps, reports suggest that BoJ is likely to maintain its ultra-dovish policy stance, despite accelerating inflation. Economic outcomes remained divergent across the globe. China rolled out further stimulus measures to boost growth by offering incentives on purchase of electronics and automobiles. Steps were also announced to attract private investment in sectors such as transport, renewable energy etc. In UK, retail sales rose by 0.7% (MoM) in Jun'23 (est. 0.2%), even as consumer confidence fell sharply to -30 in Jul'23. In India, monsoon has picked up pace with rainfall now at 5% above LPA (as of 23 Jul 2023) and area under kharif sowing higher by 1.2% over the last year.

- Global indices ended mixed. Markets in US ended flat as investors await Fed policy and upcoming corporate earnings result. FTSE rose by 0.2% supported by a higher than expected increase in UK's retail sales. Barring Hang Seng, stocks in Asia were mostly lower. Sensex dipped by 1.3% from its record-high. Tech stocks fell the most amidst disappointing results from IT firms. It is trading further lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	20-07-2023	21-07-2023	% change
Dow Jones	35,225	35,228	0
S & P 500	4,535	4,536	0
FTSE	7,646	7,664	0.2
Nikkei	32,491	32,304	(0.6)
Hang Seng	18,928	19,075	0.8
Shanghai Comp	3,170	3,168	(0.1)
Sensex	67,572	66,684	(1.3)
Nifty	19,979	19,745	(1.2)

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended broadly lower. DXY rose by 0.2% ahead of Fed meet. JPY depreciated by 1.2% as BoJ is widely expected to maintain its policy stance in the upcoming meet. INR closed flat supported by FPI inflows, despite higher oil prices. It is trading stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	20-07-2023	21-07-2023	% change
EUR/USD (1 EUR / USD)	1.1130	1.1124	(0.1)
GBP/USD (1 GBP / USD)	1.2868	1.2854	(0.1)
USD/JPY (JPY / 1 USD)	140.07	141.73	(1.2)
USD/INR (INR / 1 USD)	81.99	81.96	0
USD/CNY (CNY / 1 USD)	7.1796	7.1876	(0.1)

Source: Bloomberg, Bank of Baroda Research



- Except UK and India (flat), other major global yields ended lower. 10Y yields in US, Germany and Japan fell by 2bps each, awaiting policy decisions of respective central banks. Both Fed and ECB are expected to raise policy rates by 25bps, while BoJ is expected to keep policy unchanged. India's 10Y closed flat, even as oil prices edged up. It is trading flat even today.

Fig 3 – Bond 10Y yield

	20-07-2023	21-07-2023	change in bps
US	3.85	3.83	(2)
UK	4.28	4.28	0
Germany	2.49	2.47	(2)
Japan	0.47	0.45	(2)
China	2.62	2.62	(1)
India	7.08	7.08	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	20-07-2023	21-07-2023	change in bps
Tbill-91 days	6.69	6.71	2
Tbill-182 days	6.84	6.83	(1)
Tbill-364 days	6.87	6.86	(1)
G-Sec 2Y	6.98	7.00	2
India OIS-2M	6.61	6.61	0
India OIS-9M	6.76	6.78	2
SONIA int rate benchmark	4.93	4.93	0
US SOFR	5.05	5.06	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	20-07-2023	21-07-2023	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

	19-07-2023	20-07-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	245.8	694.2	448.4
Debt	(21.4)	128.8	150.2
Equity	267.2	565.4	298.2
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 2023 and 13 Jul 2023

- Crude prices rose further amidst expectations of lower supply.

Fig 7 – Commodities

	20-07-2023	21-07-2023	% change
Brent crude (US\$/bbl)	79.6	81.1	1.8
Gold (US\$/ Troy Ounce)	1,969.5	1,961.9	(0.4)
Copper (US\$/ MT)	8,460.8	8,422.5	(0.5)
Zinc (US\$/MT)	2,369.8	2,356.0	(0.6)
Aluminium (US\$/MT)	2,201.0	2,204.5	0.2

Source: Bloomberg, Bank of Baroda Research



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