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Aditi Gupta

Fresh fears of a global economic downturn emerged after flash composite PMIs of Japan (4-month low), US (3-month low), UK (3-month low) and Eurozone (5-month low) showed a slowdown. While the contraction in manufacturing activity continued, the erstwhile resilient services sector too showed signs of stress, amidst a dip in consumer spending. In this week, developments in Russia will be monitored, even though a crisis seems to have been averted for now. Speeches by heads of major central banks (Fed, ECB, BoJ) are also due, which will determine the trajectory of the markets. Minutes of BoJ's policy reflected that one MPC member spoke about the need to tweak the yield control curve (YCC).

- Global indices closed lower as recession fears mounted amidst elevated policy rates in major economies (US, Eurozone and UK). Even flash PMI readings in US, Germany also reflected some degree of slowdown. Hang Seng fell the most, dragged down by technology stocks, as concerns over slowdown in China reverberated. In India, Sensex fell by 0.4%, led by consumer durables and metal stocks. It is trading higher today, while Asian stocks are trading lower.

Fig 1 – Stock markets

	22-06-2023	23-06-2023	% change
Dow Jones	33,947	33,727	(0.6)
S & P 500	4,382	4,348	(0.8)
FTSE	7,502	7,462	(0.5)
Nikkei	33,265	32,782	(1.5)
Hang Seng	19,218	18,890	(1.7)
Shanghai Comp	3,240	3,198	(1.3)
Sensex	63,239	62,979	(0.4)
Nifty	18,771	18,666	(0.6)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in China were closed on 23 Jun 2023

- Most global currencies ended lower. DXY rose by 0.5% amidst expectations of more rate hikes by Fed. Weaker than expected flash PMIs of major economies also weighed on investor sentiments. EUR and JPY slipped the most by 0.6% and 0.4% respectively. INR depreciated by 0.1% following global cues. However, it is trading stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	22-06-2023	23-06-2023	% change
EUR/USD (1 EUR / USD)	1.0956	1.0894	(0.6)
GBP/USD (1 GBP / USD)	1.2748	1.2714	(0.3)
USD/JPY (JPY / 1 USD)	143.11	143.70	(0.4)
USD/INR (INR / 1 USD)	81.95	82.03	(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 23 Jun 2023



- Global yields closed lower amidst risk off sentiment over growth concerns. Germany's 10Y yield fell the most by 14bps, as both flash manufacturing and services PMI print remained weak. Even hawkish statement by Fed officials (Michelle Bowman and Mary Daly) could not support US 10Y yield which fell by 6bps. India's 10Y yield fell a tad by 1bps. It is trading at 7.06% today.

Fig 3 – Bond 10Y yield

	22-06-2023	23-06-2023	change in bps
US	3.79	3.73	(6)
UK	4.37	4.32	(5)
Germany	2.49	2.35	(14)
Japan	0.38	0.37	(1)
China	2.68	2.67	0
India	7.09	7.07	(1)

Source: Bloomberg, Bank of Baroda Research, 07.26 GS 2033 security taken for India | Note: Markets in China were closed on 23 Jun 2023

Fig 4 – Short term rates

	22-06-2023	23-06-2023	change in bps
Tbill-91 days	6.70	6.71	1
Tbill-182 days	6.87	6.87	0
Tbill-364 days	6.87	6.89	2
G-Sec 2Y	7.00	6.99	(1)
India OIS-2M	6.60	6.59	(1)
India OIS-9M	6.69	6.69	0
SONIA int rate benchmark	4.43	4.93	50
US SOFR	5.05	5.05	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	22-06-2023	23-06-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.4)	(0.5)	0.1
Reverse repo	0.9	0.2	(0.7)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	21-06-2023	22-06-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	594.7	(306.3)	(901.0)
Debt	(76.2)	(421.8)	(345.6)
Equity	670.9	115.5	(555.4)
Mutual funds (Rs cr)	4,033.2	3,380.6	(652.6)
Debt	1,236.1	2,715.2	1,479.1
Equity	2,797.1	665.4	(2,131.7)

Source: Bloomberg, Bank of Baroda Research | Mutual funds data as of 20 Jun 2023 and 21 Jun 2023

- Oil prices fell amidst concerns that higher rates will lead to lower demand.

Fig 7 – Commodities

	22-06-2023	23-06-2023	% change
Brent crude (US\$/bbl)	74.1	73.9	(0.4)
Gold (US\$/ Troy Ounce)	1,914.0	1,921.2	0.4
Copper (US\$/ MT)	8,579.3	8,409.2	(2.0)
Zinc (US\$/MT)	2,445.0	2,351.3	(3.8)
Aluminium (US\$/MT)	2,201.0	2,174.5	(1.2)

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

Chief Economist

Bank of Baroda

chief.economist@bankofbaroda.com