

MORNING MOCHA

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ECONOMIST
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US macro data indicated that the economy remains on strong footing. Conference Board consumer confidence index rose to a 17-month high of 109.7 in Jun'23 (est. 104.0) from 102.5 in May'23. Core capital goods orders too rose unexpectedly by 0.7% in May'23 (est. 0%) versus 0.6% in Apr'23 (MoM). Even US new home sales rose at a solid pace of 12.2% (MoM) to a 16-month high of 763,000 (est. 675,000). This has reinforced views that the Fed will have to raise rates further to cool down the economy and keep prices in check. Separately, ECB Chief also admitted that inflation is proving to be much more persistent than earlier anticipated, hinting at more rate hikes. China's economic woes continued with industrial profits slumping by 18.8% in Jan-May'23. In India, CAD narrowed to a 6-quarter low of 0.2% of GDP in Q4FY23 (2% in Q2), led by a dip in trade deficit and strong services exports.

- Except Nikkei (lower), global indices closed higher. Investor sentiments were buoyed by better than expected macro prints in the US. Hang Seng rose the most, followed by Shanghai Comp. Sensex rose by 0.7% led by real estate and banking stocks. It is trading higher today, while Asian stocks are trading mixed as China's industrial profit data continued to slump, albeit less than expected.

Fig 1 – Stock markets

	26-06-2023	27-06-2023	% change
Dow Jones	33,715	33,927	0.6
S & P 500	4,329	4,378	1.1
FTSE	7,454	7,461	0.1
Nikkei	32,699	32,538	(0.5)
Hang Seng	18,794	19,148	1.9
Shanghai Comp	3,151	3,189	1.2
Sensex	62,970	63,416	0.7
Nifty	18,691	18,817	0.7

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed broadly stronger. DXY fell by 0.2% despite stronger than expected macro data. EUR rose by 0.5% as ECB Chief stated that inflation could remain elevated, bolstering the case for more rate hikes. JPY fell by 0.4%, even as the government vowed to support the currency. INR closed flat. It is trading stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	26-06-2023	27-06-2023	% change
EUR/USD (1 EUR / USD)	1.0906	1.0961	0.5
GBP/USD (1 GBP / USD)	1.2713	1.2749	0.3
USD/JPY (JPY / 1 USD)	143.51	144.07	(0.4)
USD/INR (INR / 1 USD)	82.04	82.03	0
USD/CNY (CNY / 1 USD)	7.2401	7.2242	0.2

Source: Bloomberg, Bank of Baroda Research



- Except China and India (stable), global yields closed higher. Better than expected macro prints in the US raised hopes of higher rate trajectory by Fed. CME Fed watch tool is attaching a 76.9% probability of 25bps rate hike. Even ECB President hinted at elevated rates. UK's 10Y yield rose by 7bps followed by Germany (+5bps) and US (+4bps). India's 10Y yield is trading at 7.07%.

Fig 3 – Bond 10Y yield

	26-06-2023	27-06-2023	change in bps
US	3.72	3.76	4
UK	4.30	4.38	7
Germany	2.31	2.36	5
Japan	0.36	0.37	1
China	2.67	2.67	0
India	7.07	7.06	0

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

Fig 4 – Short term rates

	26-06-2023	27-06-2023	change in bps
Tbill-91 days	6.76	6.78	2
Tbill-182 days	6.87	6.87	0
Tbill-364 days	6.88	6.86	(2)
G-Sec 2Y	6.99	6.99	0
India OIS-2M	6.61	6.62	1
India OIS-9M	6.69	6.69	0
SONIA int rate benchmark	4.93	4.93	0
US SOFR	5.05	5.05	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	26-06-2023	27-06-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.4)	(0.3)	0.1
Reverse repo	0.2	0.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	23-06-2023	26-06-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	396.1	(139.6)	(535.6)
Debt	371.8	(96.9)	(468.7)
Equity	24.3	(42.6)	(66.9)
Mutual funds (Rs cr)	(250.5)	740.4	990.9
Debt	(688.4)	783.6	1,471.9
Equity	437.9	(43.2)	(481.1)

Source: Bloomberg, Bank of Baroda Research | Mutual funds data as of 22 Jun 2023 and 23 Jun 2023

- Oil prices fell by 2.6% led by demand concerns amidst higher rates.

Fig 7 – Commodities

	26-06-2023	27-06-2023	% change
Brent crude (US\$/bbl)	74.2	72.3	(2.6)
Gold (US\$/ Troy Ounce)	1,923.3	1,913.7	(0.5)
Copper (US\$/ MT)	8,422.0	8,382.0	(0.5)
Zinc (US\$/MT)	2,318.3	2,378.3	2.6
Aluminium (US\$/MT)	2,148.5	2,195.0	2.2

Source: Bloomberg, Bank of Baroda Research



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