

## MORNING MOCHA

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ECONOMIST  
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Global central banks are likely to continue raising rates as the fight against inflation seem far from over. Fed officials including the Fed Chair and Atlanta Federal Reserve Chair have reiterated the need for higher rates amidst sticky inflation. Strong macro data (surprise dip in weekly jobless claims) and upward revision to US Q1CY23 GDP (2% versus 1.3% earlier) also supports this view. Probability of a rate hike by Fed in Jul'23 has risen to above 80% as per the CME FedWatch tool. Even in Eurozone, CPI inflation in Germany rose unexpectedly to 6.4% in Jun'23 from 6.1% in May'23, even as the ECB Chief batted for more rate hikes. Similar comments were echoed by BoE Governor. On the other hand, BoJ remains steadfast in its policy stance. Elsewhere, China's economy continues to struggle with manufacturing PMI staying in the contraction zone (49.0 in Jun'23), and non-manufacturing PMI too dipping to 53.2 from 54.5 in May'23.

- Global indices closed mixed. US stocks inched up supported by better than expected 3rd estimate of GDP and strengthening labour market conditions. Asian stocks (except Nikkei) fell, as China's Beige book data suggested more stimulus. Sensex rose by 0.8% led by capital goods stocks. It is trading higher today, while Asian stocks are trading mixed tracking China's PMI data.

**Fig 1 – Stock markets**

|               | 28-06-2023 | 29-06-2023 | % change |
|---------------|------------|------------|----------|
| Dow Jones     | 33,853     | 34,122     | 0.8      |
| S & P 500     | 4,377      | 4,396      | 0.4      |
| FTSE          | 7,500      | 7,472      | (0.4)    |
| Nikkei        | 33,194     | 33,234     | 0.1      |
| Hang Seng     | 19,172     | 18,934     | (1.2)    |
| Shanghai Comp | 3,189      | 3,182      | (0.2)    |
| Sensex        | 63,416     | 63,915     | 0.8      |
| Nifty         | 18,817     | 18,972     | 0.8      |

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 29 Jun 2023

- Global currencies closed weaker against the dollar. DXY rose by 0.4% supported by strong macro data. EUR fell the most by 0.4% despite an improvement in Eurozone consumer confidence index. JPY too depreciated by 0.2%. INR is trading stronger today, in line with other Asian currencies.

**Fig 2 – Currencies**

|                       | 28-06-2023 | 29-06-2023 | % change |
|-----------------------|------------|------------|----------|
| EUR/USD (1 EUR / USD) | 1.0913     | 1.0865     | (0.4)    |
| GBP/USD (1 GBP / USD) | 1.2636     | 1.2613     | (0.2)    |
| USD/JPY (JPY / 1 USD) | 144.48     | 144.76     | (0.2)    |
| USD/INR (INR / 1 USD) | 82.03      | 82.06      | 0        |
| USD/CNY (CNY / 1 USD) | 7.2393     | 7.2475     | (0.1)    |

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 29 Jun 2023



- Except Japan and India (stable), global yields closed higher. US 10Y yield rose the most by 13bps as Fed Chair signalled two more rate hikes this year. Germany's 10Y yield also firmed up by 10bps as provisional CPI data inched up. China's 10Y yield closed lower amidst expectation of more stimulus and muted macro print. India's 10Y yield is trading higher at 7.09% today.

**Fig 3 – Bond 10Y yield**

|         | 28-06-2023 | 29-06-2023 | change in bps |
|---------|------------|------------|---------------|
| US      | 3.71       | 3.84       | 13            |
| UK      | 4.32       | 4.38       | 7             |
| Germany | 2.32       | 2.42       | 10            |
| Japan   | 0.39       | 0.39       | 0             |
| China   | 2.67       | 2.66       | (1)           |
| India   | 7.06       | 7.06       | 0             |

Source: Bloomberg, Bank of Baroda Research, 07.26 GS 2033 security taken for India | Note: Markets in India were closed on 29 Jun 2023

**Fig 4 – Short term rates**

|                          | 28-06-2023 | 29-06-2023 | change in bps |
|--------------------------|------------|------------|---------------|
| Tbill-91 days            | 6.78       | 6.73       | (5)           |
| Tbill-182 days           | 6.87       | 6.86       | (1)           |
| Tbill-364 days           | 6.86       | 6.86       | 0             |
| G-Sec 2Y                 | 6.99       | 6.99       | 0             |
| India OIS-2M             | 6.62       | 6.61       | (1)           |
| India OIS-9M             | 6.69       | 6.68       | (1)           |
| SONIA int rate benchmark | 4.93       | 4.93       | 0             |
| US SOFR                  | 5.05       | 5.06       | 1             |

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 29 Jun 2023

**Fig 5 – Liquidity**

| Rs tn                             | 27-06-2023 | 28-06-2023 | change (Rs tn) |
|-----------------------------------|------------|------------|----------------|
| Net Liquidity (-Surplus/+deficit) | (0.3)      | (0.3)      | 0              |
| Reverse repo                      | 0.2        | 0.2        | 0              |
| Repo                              | 0          | 0          | 0              |

Source: RBI, Bank of Baroda Research | Note: Markets in India were closed on 29 Jun 2023

**Fig 6 – Capital market flows**

|                      | 26-06-2023 | 27-06-2023 | change (US\$ mn/Rs cr) |
|----------------------|------------|------------|------------------------|
| FII (US\$ mn)        | (139.6)    | (3.0)      | 136.5                  |
| Debt                 | (96.9)     | (226.4)    | (129.4)                |
| Equity               | (42.6)     | 223.4      | 266.0                  |
| Mutual funds (Rs cr) | 596.2      | (817.9)    | (1,414.0)              |
| Debt                 | 683.3      | (1,359.9)  | (2,043.3)              |
| Equity               | (87.2)     | 542.1      | 629.3                  |

Source: Bloomberg, Bank of Baroda Research | Mutual funds data as of 23 Jun and 26 Jun 2023 | Note: Markets in India were closed on 29 Jun 2023

- International oil prices inched up by 0.4% led by drawdown in US inventories.

**Fig 7 – Commodities**

|                         | 28-06-2023 | 29-06-2023 | % change |
|-------------------------|------------|------------|----------|
| Brent crude (US\$/bbl)  | 74.0       | 74.3       | 0.4      |
| Gold (US\$/ Troy Ounce) | 1,907.3    | 1,908.2    | 0        |
| Copper (US\$/ MT)       | 8,259.5    | 8,177.0    | (1.0)    |
| Zinc (US\$/MT)          | 2,340.5    | 2,336.0    | (0.2)    |
| Aluminium (US\$/MT)     | 2,173.5    | 2,160.0    | (0.6)    |

Source: Bloomberg, Bank of Baroda Research



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