

MORNING MOCHA

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ECONOMIST
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Fears of slowdown in US economy were back yet again after ISM manufacturing PMI (46 from 46.9 in May'23) reading came in at the same level as was last seen during Covid-19 wave. Thus, further adding to the risk of recession. India's manufacturing PMI eased marginally to 57.8 in Jun'23 from 58.7 in May'23, though it remained in the expansionary mode. Led by strong domestic and international demand, new orders and output rose sharply. Furthermore, future business activity which climbed to its highest level added to the optimism. Separately, Japanese Yen currently has been under intervention alert with Japan's Finance Minister warning against any excessive selling. Investors will track upcoming Fed minutes and June payrolls report scheduled later this week.

- Barring Dow Jones (flat) and FTSE (lower), other global indices closed higher. Investors remained uncertain over the next move by global Central Banks. Fed minutes scheduled to release later this week might offer some clarity on the same. Hang Seng surged the most followed by Nikkei. Sensex too climbed up, led by strong gains in oil & gas and metal stocks. It is trading further higher today, while other Asian stocks are trading lower.

Fig 1 – Stock markets

	30-06-2023	03-07-2023	% change
Dow Jones	34,408	34,418	0
S & P 500	4,450	4,456	0.1
FTSE	7,532	7,527	(0.1)
Nikkei	33,189	33,753	1.7
Hang Seng	18,916	19,307	2.1
Shanghai Comp	3,202	3,244	1.3
Sensex	64,719	65,205	0.8
Nifty	19,189	19,323	0.7

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. While EUR ended flat, GBP and JPY fell, and INR and CNY rose. DXY was up by 0.1% as ISM data showed that prices weakened more than anticipated in Jun'23. JPY fell by 0.3% as government intervened to prevent any steeper declines. Today, INR is trading higher today, in line with other Asian currencies.

Fig 2 – Currencies

	30-06-2023	03-07-2023	% change
EUR/USD (1 EUR / USD)	1.0909	1.0912	0
GBP/USD (1 GBP / USD)	1.2703	1.2693	(0.1)
USD/JPY (JPY / 1 USD)	144.31	144.68	(0.3)
USD/INR (INR / 1 USD)	82.04	81.96	0.1
USD/CNY (CNY / 1 USD)	7.2537	7.2468	0.1

Source: Bloomberg, Bank of Baroda Research



- Global yields in Asia closed flat, while they inched up in US and Europe. UK's 2 yield rose more than 10Y, as investors are expecting continued rate hikes by BoE to reach peak rate of 6% and decreased probability of rate cuts this year. The yield curve remains inverted since May'23. India's 10Y yield closed unchanged at 7.12%, and is trading flat even today, awaiting fresh global cues.

Fig 3 – Bond 10Y yield

	30-06-2023	03-07-2023	change in bps
US	3.84	3.85	2
UK	4.39	4.44	5
Germany	2.39	2.44	4
Japan	0.40	0.41	0
China	2.64	2.65	0
India	7.12	7.12	0

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

Fig 4 – Short term rates

	30-06-2023	03-07-2023	change in bps
Tbill-91 days	6.71	6.69	(2)
Tbill-182 days	6.82	6.81	(1)
Tbill-364 days	6.87	6.82	(5)
G-Sec 2Y	7.02	7.02	0
India OIS-2M	6.63	6.61	(2)
India OIS-9M	6.74	6.74	0
SONIA int rate benchmark	4.93	4.93	0
US SOFR	5.06	5.09	3

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	30-06-2023	03-07-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.3)	(2.2)	(0.9)
Reverse repo	0.2	0.1	0.1
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	28-06-2023	30-06-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	3,247.4	1,550.4	(1,697.0)
Debt	1,442.4	106.1	(1,336.3)
Equity	1,805.1	1,444.3	(360.8)
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

- Crude prices slipped by 0.3% amidst concerns around subdued demand.

Fig 7 – Commodities

	30-06-2023	03-07-2023	% change
Brent crude (US\$/bbl)	74.9	74.7	(0.3)
Gold (US\$/ Troy Ounce)	1,919.4	1,921.6	0.1
Copper (US\$/ MT)	8,322.1	8,397.0	0.9
Zinc (US\$/MT)	2,382.3	2,355.3	(1.1)
Aluminium (US\$/MT)	2,151.5	2,157.5	0.3

Source: Bloomberg, Bank of Baroda Research



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