

## MORNING MOCHA

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ECONOMIST  
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Markets will await Fed's minutes scheduled to release later today for more clarity on future path of rate hike. According to CME FEDWATCH, there is a 90% likelihood of a rate hike (25bps) to 5.5% in the Jul'23 meet. On global growth, Japan's services PMI remained in the expansion zone, despite tad moderation (54 vs 55.9 in May'23) highlighting strong demand conditions. Furthermore, China's CAIXIN services activity (53.9 vs 57.1 in May) in line with official PMI, softened on the back of weakened demand, with both new business activity and new orders expanding at a much slower pace in Jun'23. Separately, Australia's Central Bank (RBA) maintained status quo, though they warned, more tightening might be required.

- Global indices ended mixed amidst thin trading and ongoing uncertainty around interest rate decisions by global central Banks. Investors will turn their focus towards Fed minutes and US payrolls report for further guidance. Hang Seng gained the most. The gains in Sensex were supported by rally in IT and banking stocks. It opened flat today, while other Asian stocks are trading lower.

**Fig 1 – Stock markets**

	03-07-2023	04-07-2023	% change
Dow Jones	34,408	34,418	0
S & P 500	4,450	4,456	0.1
FTSE	7,527	7,520	(0.1)
Nikkei	33,753	33,423	(1.0)
Hang Seng	19,307	19,416	0.6
Shanghai Comp	3,244	3,245	0
Sensex	65,205	65,479	0.4
Nifty	19,323	19,389	0.3

Source: Bloomberg, Bank of Baroda Research | Note: Markets in US were closed on 4 Jul 2023

- Barring EUR and INR (lower), other global currencies closed higher. CNY and GBP gained the most. Investors await Fed minutes for guidance on future rate trajectory. Currently there are 90% chances of a 25bps hike in Jul'23. INR fell by 0.1% as oil prices inched up. It is trading further weaker today, while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	03-07-2023	04-07-2023	% change
EUR/USD (1 EUR / USD)	1.0912	1.0879	(0.3)
GBP/USD (1 GBP / USD)	1.2693	1.2713	0.2
USD/JPY (JPY / 1 USD)	144.68	144.47	0.1
USD/INR (INR / 1 USD)	81.96	82.02	(0.1)
USD/CNY (CNY / 1 USD)	7.2468	7.2162	0.4

Source: Bloomberg, Bank of Baroda Research | Note: Markets in US were closed on 4 Jul 2023

- Global yields closed mixed. While 10Y yields in UK and Japan fell, in Germany it inched up. ECB officials have maintained their stance on tight monetary policy



conditions. In UK, weakening macro data has revived fears of recession risks. India's 10Y yield closed unchanged at 7.12%, and is trading a tad lower at 7.11% today.

**Fig 3 – Bond 10Y yield**

	03-07-2023	04-07-2023	change in bps
US	3.84	3.85	2
UK	4.44	4.42	(2)
Germany	2.44	2.45	2
Japan	0.41	0.39	(2)
China	2.65	2.65	0
India	7.12	7.12	0

Source: Bloomberg, Bank of Baroda Research, 07.26 GS 2033 security taken for India | Note: Markets in US were closed on 4 Jul 2023

**Fig 4 – Short term rates**

	03-07-2023	04-07-2023	change in bps
Tbill-91 days	6.69	6.68	(1)
Tbill-182 days	6.81	6.80	(1)
Tbill-364 days	6.82	6.82	0
G-Sec 2Y	7.02	7.04	2
India OIS-2M	6.61	6.60	(1)
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 | Note: Markets in US were closed on 4 Jul 2023

**Fig 5 – Liquidity**

Rs tn	03-07-2023	04-07-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.2)	(2.3)	(0.1)
Reverse repo	0.1	0.8	0.7
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	30-06-2023	03-07-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	1,550.4	246.2	(1,304.2)
Debt	106.1	(53.8)	(159.9)
Equity	1,444.3	300.1	(1,144.3)
Mutual funds (Rs cr)	(1,948.4)	5,322.2	7,270.6
Debt	(3,395.6)	4,673.3	8,068.9
Equity	1,447.3	649.0	(798.3)

Source: Bloomberg, Bank of Baroda Research

- Crude prices rose by 2.1%, as major oil producers (Saudi Arabia and Russia) will begin their voluntary production cuts from Aug'23.

**Fig 7 – Commodities**

	03-07-2023	04-07-2023	% change
Brent crude (US\$/bbl)	74.7	76.3	2.1
Gold (US\$/ Troy Ounce)	1,921.6	1,925.5	0.2
Copper (US\$/ MT)	8,397.0	8,346.0	(0.6)
Zinc (US\$/MT)	2,355.3	2,403.0	2.0
Aluminium (US\$/MT)	2,157.5	2,167.5	0.5

Source: Bloomberg, Bank of Baroda Research



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