

MORNING MOCHA

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ECONOMIST
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Global macro indicators showed some degree of softening. China's exports fell at the sharpest pace since CY20 by 14.5% in Jul'23 (est.: -13.2% and against previous month's decline of 12.4%). Even imports fell by 12.4% (est.: -5.6%) compared to 6.8% decline in Jun'23. In Japan, household spending fell by 4.2% (est.: -3.8%) in Jun'23 and even labour cash earnings showed moderation signalling that inflation still poses downside risks. In Germany, industrial production fell more than expected by 1.5% (est.: -0.5%) on SA MoM basis in Jun'23. On domestic front, RBI's policy is scheduled in the current week, where a hawkish pause with some upward revision in inflation trajectory is anticipated.

- Global stocks ended mixed. US indices ended higher ahead of key inflation report to assess the future rate path of the Fed. Dow Jones rose by 1.2%, and S&P 500 rose by 0.9%. In Asia, Shanghai Comp fell by 0.6%. On the other hand, Sensex rose by 0.4%. Technology and real estate stocks advanced the most. However it is trading lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	04-08-2023	07-08-2023	% change
Dow Jones	35,066	35,473	1.2
S & P 500	4,478	4,518	0.9
FTSE	7,564	7,554	(0.1)
Nikkei	32,193	32,255	0.2
Hang Seng	19,539	19,538	0
Shanghai Comp	3,288	3,269	(0.6)
Sensex	65,721	65,953	0.4
Nifty	19,517	19,597	0.4

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended mixed. DXY closed flat even as Fed officials reiterated the need for higher rates. JPY depreciated the most by 0.5% amidst widening policy divergence between BoJ and Fed. After depreciating for 4-straight sessions, INR appreciated by 0.1% as oil prices eased. However, it is trading weaker today, in line with other Asian currencies.

Fig 2 – Currencies

	04-08-2023	07-08-2023	% change
EUR/USD (1 EUR / USD)	1.1006	1.1002	0
GBP/USD (1 GBP / USD)	1.2749	1.2784	0.3
USD/JPY (JPY / 1 USD)	141.76	142.50	(0.5)
USD/INR (INR / 1 USD)	82.84	82.75	0.1
USD/CNY (CNY / 1 USD)	7.1729	7.1931	(0.3)

Source: Bloomberg, Bank of Baroda Research

- Global 10Y yields closed mixed. UK's 10Y yield rose by 8bps as BoE Chief Economist pointed out that food inflation is unlikely to come down. Japan's 10Y



yield fell by 2bps eyeing the household spending data. India's 10Y yield rose a tad by 1bps as markets have already priced in some hawkish comments from RBI. It is trading lower at 7.18% today.

Fig 3 – Bond 10Y yield

	04-08-2023	07-08-2023	change in bps
US	4.03	4.09	5
UK	4.38	4.46	8
Germany	2.56	2.60	4
Japan	0.65	0.63	(2)
China	2.66	2.65	(1)
India	7.19	7.20	1

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	04-08-2023	07-08-2023	change in bps
Tbill-91 days	6.76	6.72	(4)
Tbill-182 days	6.86	6.88	2
Tbill-364 days	6.94	6.93	(1)
G-Sec 2Y	7.07	7.08	1
India OIS-2M	6.63	6.64	1
India OIS-9M	6.85	6.87	2
SONIA int rate benchmark	5.18	5.18	0
US SOFR	5.30	5.30	-

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	04-08-2023	07-08-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.6)	(2.5)	0.1
Reverse repo	0.9	0.9	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	03-08-2023	04-08-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	6.1	43.0	36.8
Debt	(20.1)	34.9	55.0
Equity	26.2	8.0	(18.2)
Mutual funds (Rs cr)	1,001.9	563.4	(438.5)
Debt	291.1	75.9	(215.2)
Equity	710.8	487.5	(223.3)

Source: Bloomberg, Bank of Baroda Research, Mutual fund data as of 2nd and 3rd Aug

- Oil prices fell amidst demand concerns as Fed officials supported higher rates.

Fig 7 – Commodities

	04-08-2023	07-08-2023	% change
Brent crude (US\$/bbl)	86.2	85.3	(1.0)
Gold (US\$/ Troy Ounce)	1,942.9	1,936.6	(0.3)
Copper (US\$/ MT)	8,523.3	8,436.1	(1.0)
Zinc (US\$/MT)	2,506.5	2,510.0	0.1
Aluminium (US\$/MT)	2,232.5	2,230.0	(0.1)

Source: Bloomberg, Bank of Baroda Research



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