

MORNING MOCHA

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ECONOMIST
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US PPI data rose more than expected both on a sequential (0.3%, est: 0.2%) and YoY basis (0.8%, est.: 0.7%) in Jul'23. The provisional data of University of Michigan sentiment index also remained stable at 71.2. What came as a respite is that both 1- Year and 5-10 Year inflation expectations remained well anchored. Elsewhere, in UK, GDP data for Jun'23 pointed to some recovery with private consumption demand gaining momentum. In China, woes in the property sector again appeared. In Japan, all eyes are on the Yen as it hovers around the psychological 145-mark with the widening divergence between US and its 10Y yield. On domestic front, CPI and WPI data will be closely watched.

- Apart from Dow Jones, other global indices ended lower. Investors monitored the news of US PPI climbing to 0.8% in Jul'23 from 0.2% in Jun'23 led by jump in services cost. Amongst other indices, Shanghai Comp (2%) dropped the most after a real estate firm issued profit warning. Sensex (0.6%) too ended in red and was dragged down by banking and auto stocks. Asian stocks are trading lower today.

Fig 1 – Stock markets

	10-08-2023	11-08-2023	% change
Dow Jones	35,176	35,281	0.3
S & P 500	4,469	4,464	(0.1)
FTSE	7,619	7,524	(1.2)
Nikkei	32,204	32,474	0.8
Hang Seng	19,248	19,075	(0.9)
Shanghai Comp	3,255	3,189	(2.0)
Sensex	65,688	65,323	(0.6)
Nifty	19,543	19,428	(0.6)

Source: Bloomberg, Bank of Baroda Research, Note: Nikkei was closed on 11.8.2023

- Barring GBP, other global currencies ended lower. DXY firmed up by 0.3%. Markets expect an 89% likelihood of Fed keeping rates on hold in the next meeting amidst news of US CPI moderating. Yen breached the 145/dollar mark and retreated back signalling a possible intervention by officials soon. INR depreciated as oil prices inched up. It is trading weaker today while other Asian currencies are trading mixed.

Fig 2 – Currencies

	10-08-2023	11-08-2023	% change
EUR/USD (1 EUR / USD)	1.0981	1.0949	(0.3)
GBP/USD (1 GBP / USD)	1.2676	1.2696	0.2
USD/JPY (JPY / 1 USD)	144.75	144.96	(0.1)
USD/INR (INR / 1 USD)	82.72	82.84	(0.1)
USD/CNY (CNY / 1 USD)	7.2188	7.2396	(0.3)

Source: Bloomberg, Bank of Baroda Research



- Except Japan (stable) and China (lower), global yields closed higher. UK's 10Y yield firmed up the most by 16bps supported by better GDP data. In US, 10Y yield rose by 5bps tracking PPI data. In India as well, 10Y yield rose by 5bps ahead of the CPI data.

Fig 3 – Bond 10Y yield

	10-08-2023	11-08-2023	change in bps
US	4.11	4.15	5
UK	4.36	4.53	16
Germany	2.53	2.62	10
Japan	0.58	0.58	0
China	2.66	2.65	(1)
India	7.15	7.20	5

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	10-08-2023	11-08-2023	change in bps
Tbill-91 days	6.76	6.76	0
Tbill-182 days	6.89	6.92	3
Tbill-364 days	6.93	6.94	1
G-Sec 2Y	7.09	7.10	1
India OIS-2M	6.68	6.68	0
India OIS-9M	6.85	6.89	4
SONIA int rate benchmark	5.18	5.18	0
US SOFR	5.30	5.30	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	9-08-2023	10-08-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.1)	(2.6)	(0.5)
Reverse repo	0.9	0.9	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	09-08-2023	10-08-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	264.2	278.6	14.4
Debt	143.9	31.3	(112.6)
Equity	120.4	247.3	126.9
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 rose by 0.5% as worries over tighter supply conditions persisted.

Fig 7 – Commodities

	10-08-2023	11-08-2023	% change
Brent crude (US\$/bbl)	86.4	86.8	0.5
Gold (US\$/ Troy Ounce)	1,912.5	1,913.8	0.1
Copper (US\$/ MT)	8,348.7	8,255.6	(1.1)
Zinc (US\$/MT)	2,484.5	2,409.0	(3.0)
Aluminium (US\$/MT)	2,204.0	2,175.5	(1.3)

Source: Bloomberg, Bank of Baroda Research



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