

## US consumer confidence has dropped sharply



Source: CEIC, ICICI Bank Research

Global Market roundup				
	Current level	Today	1 mth	1 Year Ago
<b>Equities return (%)</b>				
Dow Jones	30947	(1.6)	(6.8)	(9.8)
FTSE	7323	0.9	(3.5)	3.3
Nikkei	26760	(1.1)	(0.1)	(7.1)
Hong Kong	22056	(1.6)	6.6	(23.9)
Sensex	53177	0.0	(3.1)	1.2
<b>10Y Bond yield (bps)</b>				
US	3.17	(0.6)	42.8	169.6
UK	2.47	7.2	54.8	174.3
Japan	0.23	(1.1)	(0.3)	16.8
India	7.47	5.5	11.6	141.0
<b>Currencies return (%)</b>				
DXU	104.45	(0.1)	2.7	13.5
EURUSD	1.0528	0.1	(2.3)	(11.5)
GBPUSD	1.2206	0.2	(3.5)	(11.8)
USDJPY	136.23	0.1	6.8	23.3
USDINR	78.77	0.5	1.6	6.2
<b>Commodity return (%)</b>				
Bloomberg industrial metal index	159.2	(0.4)	(14.6)	1.9
Brent	116.8	(1.0)	(2.2)	56.2
Gold	1821.1	0.1	(1.8)	3.4

Source: Bloomberg, ICICI Bank Research

## Key Developments

- **The 47th GST Council meeting, currently underway, approved changes in tax rates on some goods and services while allowing states to issue an e-way bill for intra-state movement of gold and precious stones, according to official reports, and discussed a host of procedural compliance-related issues for GST-registered businesses along with a Group of Ministers' (GOM) report on high-risk tax payers to check evasion.**
- **FOMC members continued to indicate that aggressive front-loading in tightening will remain in place but played down the risk of a recession. Both New York Fed President John Williams and San Francisco's Mary Daly acknowledged that they had to cool the hottest inflation in 40 years, but insisted that a soft landing was still possible.**
- **In the ongoing annual conference, ECB policymakers emphasised that aggressive monetary tightening cannot be ruled out. The ECB President Lagarde stated that 25bps rate hike could be on the cards in July and that the central bank is ready to take further aggressive action to tame inflation. ECB governing council member Kazaks stated that the central bank should consider a more aggressive than 25bps rate hike in the July policy meeting itself.**
- **ECB also indicated that it is ready to activate its tool to reinvest maturing securities under Pandemic Emergency Purchases Program back in to peripheral sovereign debt so as to address sovereign risk.**
- **Finland and Sweden's bids to join NATO overcame a key hurdle after Turkey agreed to let membership talks advance.**

## Global Market Developments:

- **US:** Conf. Board Consumer Confidence fell to 98.70 in June from 103.20 in the previous month.
- **JN:** Retail Sales rose to 0.60% MoM in May from 1.00% MoM in the previous month.
- **AU:** Retail Sales stood at 0.90% MoM in May, same as in the previous month.
- **US stock markets closed lower than in previous trading session:** Dow Jones (-1.56%) and S&P 500 (-2.01%) closed in the red.
- **Asian stock markets are trading lower in today's session:** Australia ASX-200 (-1.27%), Hang Seng (+0.91%), Nikkie 225 (-1.10%), Shanghai Composite Index (-0.19%) and Kospi (-1.65%) are trading in the red.
- **US treasuries are trading higher this morning:** The 10 Yr. US yield is trading at 3.168% vs the previous close of 3.207%.

## Domestic market developments:

- **The Indian Rupee traded sharply weaker against the US dollar in the previous trading session closing at the 78.86 level.**
- **The Indian bond markets closed weaker with the yield on the benchmark 10-year sovereign bond closing at the 7.46% in the previous session.**

	Remarks
<b>DXY</b>	The US Dollar Index (DXY) is trading lower at 104.15 level, by 0.11% in response to global risk aversion as FOMC officials confirmed that more tightening is on the cards. The sharp fall in US consumer confidence index for June indicating that growth momentum could slow sharply going forward. We see more upside in the DXY in the near-term. Investors will respond to comments from Powell who is due to speak later today.
<b>EUR/USD</b>	The EUR/USD pair is trading higher at 1.0533 level, by 0.14% with an improvement in market sentiment after China relaxed its COVID protocols. Meanwhile ECB President Lagarde stating that the ECB is open to dictating a higher rate hike in September. Going forward, investor focus will be on Germany's preliminary inflation data and Lagarde's speech due later today.
<b>GBP/USD</b>	The GBP/USD pair is trading higher at 1.2207 level, by 0.20% in response to an improvement in risk sentiment and despite Brexit and recession woes persisting in the UK, which can limit the upside going forward. In addition to US developments, BoE governor Bailey's speech will also be awaited. We maintain our call for further downside in the pair.
<b>USD/JPY</b>	The USD/JPY pair is trading lower at 136.01 level, by 0.08% with Japan's retail sales growth exceeding market expectations favouring the JPY, along with dropping UST yields. Going forward, investor focus will be on US data and UST yield movements and commentary from central bank officials.
<b>USD/CNY</b>	The USD/CNY pair is trading lower at 6.7034 level, by 0.07% with China easing Covid-19 restrictions and a softer USD weighing on the pair. The PBoC has set the reference rate at 6.7035 vs the previous fix of 6.6930.
<b>AUD/USD</b>	The AUD/USD pair is trading higher at 0.6914 level, by 0.11% as Australia's retail sales for May have exceeded market forecasts, in addition to China removing activity restrictions, underpinning the AUD. We see the pair moving in sync with overall risk sentiment.
<b>USD/CAD</b>	The USD/CAD pair is trading flat at 1.2870 level, due to a softer USD, along with WTI prices witnessing a moderation in today's session. Going forward, WTI price and US data releases will determine near-term price of the pair.
<b>Indian Equities</b>	Benchmark indices are likely to open lower today tracking the fall seen in US equity markets in the overnight session, following which Asian equity markets are also trading in the red. Retail sales data for Japan and Australia came in better than expected. However, muted US consumer confidence as per the Conference Board weighed on the sentiment.
<b>Indian Rupee</b>	The USD/INR pair is likely to open higher today reflecting global risk aversion and continued FPI outflows. In addition, uptick seen in Brent crude prices is also acting as a bearish factor for the INR. Any sharp movement is unlikely in the pair due to expected RBI intervention.
<b>India G-Sec</b>	Government bond prices are likely to open steady amidst the absence of any significant domestic cues. Participants will watch out for any uptick in oil prices, which may put pressure on the prices.
<b>Oil (Brent) (USD/bbl)</b>	Brent crude oil prices remain steady after a three-day rally as US industry data showed crude stockpiles tightened further at the key storage hub of Cushing. The American Petroleum Institute reported that Cushing inventories fell by 650K barrels last week. Brent crude oil prices are trading at USD 117/bbl.
<b>Gold (USD/oz)</b>	Gold prices remain flat as prospects of higher interest rates challenged bullion's safe-haven appeal. Gold prices are trading at USD 1821/oz.

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