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Global markets continued to gauge the likelihood of rate hike or a pause in the upcoming Fed meet amidst comments from Fed officials and US job openings report. Investors will also be closely monitoring the May unemployment report for more guidance. China's recovery hit a bump after subdued data pointed to consecutive contraction in manufacturing activity (official PMI). With the clearance of US debt deal, markets are expected to turn optimistic. Separately, data from India surprised positively with much higher than anticipated growth for FY23 (7.2%) and fiscal deficit meeting the target of 6.4% of GDP in FY23.

- Global indices ended lower. Asian markets ended in deep red after disappointing data print from China (Manufacturing activity slid for 2nd straight month in May'23). Investors' also monitored commentary from Fed officials with the possibility of Fed 'skipping' rate hike in Jun'23 meet. Sensex slipped by 0.6% and was dragged down by losses in metal and oil & gas stocks. It is trading lower today, while other Asian stocks are trading higher.

Fig 1 – Stock markets

	30-05-2023	31-05-2023	% change
Dow Jones	33,043	32,908	(0.4)
S & P 500	4,206	4,180	(0.6)
FTSE	7,522	7,446	(1.0)
Nikkei	31,328	30,888	(1.4)
Hang Seng	18,596	18,234	(1.9)
Shanghai Comp	3,224	3,205	(0.6)
Sensex	62,969	62,622	(0.6)
Nifty	18,634	18,534	(0.5)

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed, with EUR and CNY declining against the dollar, while GBP and JPY gained. DXY was up by 0.2%. Slowdown in China, agreement on US debt ceiling deal, and persistently tight US labour market, impacted investor sentiments. INR ended flat, but is trading higher today, in line with other Asian currencies.

Fig 2 – Currencies

	30-05-2023	31-05-2023	% change
EUR/USD (1 EUR / USD)	1.0735	1.0689	(0.4)
GBP/USD (1 GBP / USD)	1.2414	1.2441	0.2
USD/JPY (JPY / 1 USD)	139.79	139.34	0.3
USD/INR (INR / 1 USD)	82.72	82.73	(0.0)
USD/CNY (CNY / 1 USD)	7.0799	7.1085	(0.4)

Source: Bloomberg, Bank of Baroda Research

- Barring Japan (flat), other global yields inched down. 10Y yields in UK, Germany (-6bps each), and US (-4bps) fell the most. Remarks from Fed



Governor and vice chair nominee Philip Jefferson signalled that Fed might skip hiking rates in its Jun'23 meeting. India's 10Y yield fell by 2bps, as oil prices declined. It is trading flat today at 6.99%.

Fig 3 – Bond 10Y yield

	30-05-2023	31-05-2023	change in bps
US	3.69	3.64	(4)
UK	4.25	4.18	(6)
Germany	2.34	2.28	(6)
Japan	0.44	0.44	0
China	2.72	2.71	(1)
India	7.01	6.99	(2)

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

Fig 4 – Short term rates

	30-05-2023	31-05-2023	change in bps
Tbill-91 days	6.76	6.76	0
Tbill-182 days	6.85	6.88	3
Tbill-364 days	6.91	6.88	(3)
G-Sec 2Y	6.87	6.84	(2)
India OIS-2M	6.54	6.54	0
India OIS-9M	6.59	6.58	(1)
SONIA int rate benchmark	4.43	4.43	0
US SOFR	5.06	5.06	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	30-05-2023	31-05-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.4)	(1.8)	(0.4)
Reverse repo	0.5	0.5	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	29-05-2023	30-05-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	233.7	373.5	139.8
Debt	(43.7)	78.4	122.1
Equity	277.5	295.1	17.6
Mutual funds (Rs cr)	2,887.9	447.1	(2,440.8)
Debt	1,061.6	(627.2)	(1,688.8)
Equity	1,826.3	1,074.2	(752.1)

Source: Bloomberg, Bank of Baroda Research | Mutual funds data as of 26 and 29 May 2023

- Global oil prices fell by 1.2% as weaker than expected China data (manufacturing PMI) rekindled demand concerns.

Fig 7 – Commodities

	30-05-2023	31-05-2023	% change
Brent crude (US\$/bbl)	73.5	72.7	(1.2)
Gold (US\$/ Troy Ounce)	1,959.3	1,962.7	0.2
Copper (US\$/ MT)	8,103.0	8,070.0	(0.4)
Zinc (US\$/MT)	2,287.8	2,229.8	(2.5)
Aluminium (US\$/MT)	2,224.0	2,246.0	1.0

Source: Bloomberg, Bank of Baroda Research



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