

MORNING MOCHA

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US labour market conditions continued to remain strong as nonfarm payrolls rose at a robust rate of 236,000 in Mar'23, after increasing at a solid pace of 326,000 in Feb'23. Unemployment rate eased to 3.5% from 3.6% in Feb'23. Further, average hourly earnings rose by 0.3% (MoM) compared with 0.2% in Feb'23, signalling price pressures. As a result, probability of a 25bps rate hike by Fed has increased to ~66% (CME FedWatch) versus less than 50%, a week back. Key events in the US such as CPI report, FOMC minutes and retail sales data will determine the trajectory of markets this week. In India, a surprise pause by RBI led to a rally in domestic yields. Against this backdrop, CPI data due later in the week will be in focus.

- Global stocks ended higher in the truncated trading week. FTSE rose the most, followed by Shanghai Comp. Sensex rose by 0.2%, led by real estate stocks. Investors are likely to remain cautious in the current week tracking US payroll data. On the other hand, private payroll data, ISM services as well as jobless claims data showed some degree of softening in the US economy. Probability of rate hike rose to 66% against less than 50% last week. Thus tracking these events Asian stocks are trading mixed today, while Sensex is trading higher.

Fig 1 – Stock markets

	06-04-2023	07-04-2023	% change
Dow Jones	33,483	33,485	0
S & P 500	4,090	4,105	0.4
FTSE	7,663	7,742	1.0
Nikkei	27,473	27,518	0.2
Hang Seng	20,275	20,331	0.3
Shanghai Comp	3,313	3,328	0.5
Sensex	59,689	59,833	0.2
Nifty	17,557	17,599	0.2

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India and Japan were closed on 7 Apr 2023

- Global currencies closed mixed against the dollar. DXY rose by 0.3% as robust US jobs report raised the likelihood of a 25bps rate hike by the Fed in May'23. JPY depreciated the most by 0.3%, followed by a 0.2% decline in both EUR and GBP. INR appreciated by 0.1%, despite a surprise pause by the RBI. It is trading marginally weaker today, in line with other Asian currencies.

Fig 2 – Currencies

	06-04-2023	07-04-2023	% change
EUR/USD (1 EUR / USD)	1.0922	1.0905	(0.2)
GBP/USD (1 GBP / USD)	1.2440	1.2418	(0.2)
USD/JPY (JPY / 1 USD)	131.78	132.16	(0.3)
USD/INR (INR / 1 USD)	82.00	81.90	0.1
USD/CNY (CNY / 1 USD)	6.8730	6.8679	0.1

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 7 Apr 2023



- Global yields closed mixed. US 10Y yield rose the most (+9bps), tracking comments by St Louis Fed President's that going forward inflation is likely to be sticky. UK, Germany and Japan's 10Y yield on the other hand, closed stable. Even ECB's Chief Economist hinted at another round of rate hike due to stickiness in food inflation. India's 10Y yield fell by 6bps (7.2%), supported by RBI's surprise pause. It is trading at 7.21% today.

Fig 3 – Bond 10Y yield

	06-04-2023	07-04-2023	change in bps
US	3.31	3.39	9
UK	3.43	3.43	0
Germany	2.18	2.18	0
Japan	0.47	0.47	0
China	2.86	2.85	(1)
India	7.27	7.20	(6)

Source: Bloomberg, Bank of Baroda Research, 07.26 GS 2033 security taken for India. | | Note: Markets in India were closed on 7 Apr 2023

Fig 4 – Short term rates

	05-04-2023	06-04-2023	change in bps
Tbill-91 days	6.90	6.76	(14)
Tbill-182 days	7.16	7.04	(12)
Tbill-364 days	7.19	7.06	(13)
G-Sec 2Y	7.04	6.90	(14)
SONIA int rate benchmark	4.18	4.18	0
US SOFR	4.83	4.81	(2)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 7 Apr 2023

Fig 5 – Liquidity

Rs tn	05-04-2023	06-04-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.7)	(1.9)	0.8
Reverse repo	0	0	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research | Note: Markets in India were closed on 7 Apr 2023

Fig 6 – Capital market flows

	03-04-2023	05-04-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(2.3)	(38.4)	(36.1)
Debt	(70.0)	(138.4)	(68.4)
Equity	67.8	100.1	32.3
Mutual funds (Rs cr)	2,387.4	2,825.8	438.5
Debt	2,453.8	3,916.4	1,462.6
Equity	(66.5)	(1,090.6)	(1,024.1)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 7 Apr 2023

- Global oil prices rose by 0.2% to US\$ 85/bbl amidst a decline in US crude inventories.

Fig 7 – Commodities

	05-04-2023	06-04-2023	% change
Brent crude (US\$/bbl)	85.0	85.1	0.2
Gold (US\$/ Troy Ounce)	2,020.7	2,007.9	(0.6)
Copper (US\$/ MT)	8,784.8	8,806.8	0.3
Zinc (US\$/MT)	2,808.0	2,795.5	(0.4)
Aluminium (US\$/MT)	2,333.5	2,333.5	0

Source: Bloomberg, Bank of Baroda Research



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