

MORNING MOCHA

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ECONOMIST
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As global markets await decision on raising debt ceiling by the US government to avoid default, risks of Fed hiking rates again in Jun'23 have also increased. Consumer sentiment survey for Apr'23 showed increase in inflation expectations. Elsewhere in Asia, China's macro data shows slower pace of acceleration in growth. Industrial output in Apr'23 rose by 5.6% (est.: 10.7%) from 3.9% in Mar'23, while retail sales were up by 18.4% (est.: 22%) from 10.6%. FAI growth moderated on CYTD basis (Jan-Apr) to 4.7% (est.: 5.7%) from 5.1% in Q1. On MoM basis, retail sales and industrial output seem to have improved, signalling strength in economy.

- Global indices ended in green. US indices closed higher shunning away concerns of slowdown in US economy with regional bank making most gains. Amongst other indices, Hang Seng rose the most followed by Shanghai Comp. Sensex followed global cues and closed higher with strong gains in real estate sector (+4.3%). Though, it is trading lower today while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	12-05-2023	15-05-2023	% change
Dow Jones	33,301	33,349	0.1
S & P 500	4,124	4,136	0.3
FTSE	7,755	7,778	0.3
Nikkei	29,388	29,626	0.8
Hang Seng	19,627	19,971	1.8
Shanghai Comp	3,272	3,311	1.2
Sensex	62,028	62,346	0.5
Nifty	18,315	18,399	0.5

Source: Bloomberg, Bank of Baroda Research

- Barring JPY and INR, other global currencies ended higher. After reaching an almost 3-month high, DXY retreated by 0.2% as investors slowly started moving away from the safe haven. GBP on the other hand, rallied and rose by 0.6%. INR depreciated amidst rise in oil prices. It is trading stronger today while other Asian currencies are trading mixed.

Fig 2 – Currencies

	12-05-2023	15-05-2023	% change
EUR/USD (1 EUR / USD)	1.0849	1.0874	0.2
GBP/USD (1 GBP / USD)	1.2458	1.2529	0.6
USD/JPY (JPY / 1 USD)	135.70	136.12	(0.3)
USD/INR (INR / 1 USD)	82.17	82.30	(0.2)
USD/CNY (CNY / 1 USD)	6.9591	6.9517	0.1

Source: Bloomberg, Bank of Baroda Research

- Global yields ended higher. 10Y yields in US and UK (+4bps each) rose the most, followed by Germany. Increased risk of default by the US government and



surprise uptick in inflation expectations in the US has revived fears of Fed rate hike in Jun'23. Following global cues, India's 10Y too rose by 1bps to 7.01%, but is trading tad lower at 6.99% today.

Fig 3 – Bond 10Y yield

	12-05-2023	15-05-2023	change in bps
US	3.46	3.50	4
UK	3.78	3.82	4
Germany	2.28	2.31	3
Japan	0.39	0.41	2
China	2.71	2.72	2
India	6.99	7.01	1

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

Fig 4 – Short term rates

	12-05-2023	15-05-2023	change in bps
Tbill-91 days	6.91	6.87	(4)
Tbill-182 days	6.99	6.96	(3)
Tbill-364 days	6.99	6.98	(1)
G-Sec 2Y	6.89	6.88	(1)
India OIS-2M	6.66	6.66	0
India OIS-9M	6.62	6.60	(2)
SONIA int rate benchmark	4.43	4.43	0
US SOFR	5.05	5.05	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	12-05-2023	15-05-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.5)	(0.5)	0
Reverse repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	11-05-2023	12-05-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	244.07	52.99	(191)
Debt	123.36	-140.21	(264)
Equity	120.71	193.20	72
Mutual funds (Rs cr)	(379.1)	411.0	790.0
Debt	(524.3)	24.7	548.9
Equity	145.2	386.3	241.1

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 8 May 2023 and 9 May 2023

- Crude oil prices rose by 1.4% to US\$ 75/bbl, over concerns of tightening supplies (Wildfire in Canada), and expectation of output cuts by OPEC+ in H2.

Fig 7 – Commodities

	12-05-2023	15-05-2023	% change
Brent crude (US\$/bbl)	74.2	75.2	1.4
Gold (US\$/ Troy Ounce)	2,010.8	2,016.5	0.3
Copper (US\$/ MT)	8,222.8	8,218.3	(0.1)
Zinc (US\$/MT)	2,533.0	2,517.5	(0.6)
Aluminium (US\$/MT)	2,231.5	2,259.5	1.3

Source: Bloomberg, Bank of Baroda Research



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