

MORNING MOCHA

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ECONOMIST
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Latest data from the US shows that consumer demand still remains steady as retail sales rose by 0.4% (MoM) in Apr'23, up from (-) 0.7% in Mar'23. Excluding auto and gasoline, sales were up by 0.6%, higher than consensus estimate of 0.4%. Credit card spending data also shows steady increase. This has revived fears of elevated Fed policy rates. Separately, in Europe, economic activity seems to be losing momentum, with surprise uptick seen in UK's jobless claims and 3rd consecutive decline seen in Germany's ZEW economic sentiment index. On the contrary, IEA has forecasted 200k bpd increase in oil demand in CY23 to 102mn bpd. However, investors remain wary of these forecasts against China's latest macro data.

- Barring Nikkei (higher) and Hang Seng (flat), other global indices ended lower. US indices ended in red as debt ceiling stalemate impacted investor sentiments. Shanghai Comp was down owing to subdued data. FTSE slipped and was dragged down by mining stocks. Sensex was down owing to dip in auto and banking stocks. It is trading lower today while Asian stocks are trading mixed.

Fig 1 – Stock markets

	15-05-2023	16-05-2023	% change
Dow Jones	33,349	33,012	(1.0)
S & P 500	4,136	4,110	(0.6)
FTSE	7,778	7,751	(0.3)
Nikkei	29,626	29,843	0.7
Hang Seng	19,971	19,978	0
Shanghai Comp	3,311	3,291	(0.6)
Sensex	62,346	61,932	(0.7)
Nifty	18,399	18,287	(0.6)

Source: Bloomberg, Bank of Baroda Research

- Except INR, other global currencies ended lower. Dollar rebounded amidst retail sales data undershooting forecast but the underlying trend remained firm. Fed officials have given mixed signals in their commentary since last week over the direction of interest rates. INR appreciated supported by lower oil prices. It is trading weaker today while other Asian currencies are trading mixed.

Fig 2 – Currencies

	15-05-2023	16-05-2023	% change
EUR/USD (1 EUR / USD)	1.0874	1.0862	(0.1)
GBP/USD (1 GBP / USD)	1.2529	1.2488	(0.3)
USD/JPY (JPY / 1 USD)	136.12	136.39	(0.2)
USD/INR (INR / 1 USD)	82.30	82.22	0.1
USD/CNY (CNY / 1 USD)	6.9517	6.9773	(0.4)

Source: Bloomberg, Bank of Baroda Research

- Global yields ended mixed. 10Y yields in Germany (4bps) and US (3bps) rose the most, while they fell in Asia. US retail sales ticked up, albeit less than



expected, indicating steadiness in domestic demand. In UK, jobless claims surprised on the upside, thus reducing inflation worries. India's 10Y fell by 4bps supported by softer inflation print.

Fig 3 – Bond 10Y yield

	15-05-2023	16-05-2023	change in bps
US	3.50	3.53	3
UK	3.82	3.82	0
Germany	2.31	2.35	4
Japan	0.41	0.40	(1)
China	2.72	2.71	(1)
India	7.01	6.96	(4)

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

Fig 4 – Short term rates

	15-05-2023	16-05-2023	change in bps
Tbill-91 days	6.87	6.86	(1)
Tbill-182 days	6.96	6.95	(1)
Tbill-364 days	6.98	6.97	(1)
G-Sec 2Y	6.88	6.88	0
India OIS-2M	6.66	6.62	(4)
India OIS-9M	6.60	6.56	(4)
SONIA int rate benchmark	4.43	4.43	0
US SOFR	5.05	5.06	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	15-05-2023	16-05-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.5)	(0.6)	(0.1)
Reverse repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	12-05-2023	15-05-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	53.0	185.3	132.3
Debt	(140.2)	(43.2)	97.1
Equity	193.2	228.5	35.3
Mutual funds (Rs cr)	(147.1)	(1,645.4)	(1,498.3)
Debt	(771.1)	(1,032.6)	(261.4)
Equity	624.0	(612.8)	(1,236.9)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 11 May 2023 and 12 May 2023

- Crude oil prices fell by 0.4%, as weaker than expected macro data from China dented hopes of robust oil demand.

Fig 7 – Commodities

	15-05-2023	16-05-2023	% change
Brent crude (US\$/bbl)	75.2	74.9	(0.4)
Gold (US\$/ Troy Ounce)	2,016.5	1,989.2	(1.4)
Copper (US\$/ MT)	8,218.3	8,074.2	(1.8)
Zinc (US\$/MT)	2,517.5	2,479.5	(1.5)
Aluminium (US\$/MT)	2,259.5	2,259.5	0

Source: Bloomberg, Bank of Baroda Research



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