

MORNING MOCHA

28 April 2023

ECONOMIST
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In Q1CY23, US GDP growth slowed to 1.1% (est. 2%) from 2.6% in Q4CY22. Inflationary pressures remained with core PCE index rising by 4.9% in Q1CY23 (est. 4.7%) versus 4.4% in Q4. Further, labour market remained tight, with jobless claims falling by 16,000. This suggests that economy may be entering a phase of stagflation. Even so, the Fed looks set to deliver another rate hike next week. Elsewhere, BoJ maintained its ultra-dovish stance, while revising growth projections lower and inflation projections upwards. This comes on the heels of data showing a higher than expected increase in CPI in Tokyo. Core-core CPI rose at the fastest pace in 40-years.

- Except FTSE (lower), global stocks ended higher. Investor sentiments were buoyed by strong corporate earnings. Apart from this, robust increase in personal consumption demand in Q1 and better than expected core PCE data in the US, also lifted sentiments. S&P 500 and Dow rose the most. Sensex rose by 0.6%, led by real estate and technology stocks. It is trading lower today, while other Asian stocks are trading higher.

Fig 1 – Stock markets

	26-04-2023	27-04-2023	% change
Dow Jones	33,302	33,826	1.6
S & P 500	4,056	4,135	2.0
FTSE	7,853	7,832	(0.3)
Nikkei	28,416	28,458	0.1
Hang Seng	19,757	19,840	0.4
Shanghai Comp	3,264	3,286	0.7
Sensex	60,301	60,649	0.6
Nifty	17,814	17,915	0.6

Source: Bloomberg, Bank of Baroda Research

- Except GBP and CNY, other global currencies fell against the dollar. DXY gained as US core PCE index rose more than expected, bolstering views of higher rates. INR too depreciated by 0.1% as oil prices moved up. However it is trading stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	26-04-2023	27-04-2023	% change
EUR/USD (1 EUR / USD)	1.1041	1.1028	(0.1)
GBP/USD (1 GBP / USD)	1.2469	1.2498	0.2
USD/JPY (JPY / 1 USD)	133.67	133.97	(0.2)
USD/INR (INR / 1 USD)	81.77	81.84	(0.1)
USD/CNY (CNY / 1 USD)	6.9280	6.9225	0.1

Source: Bloomberg, Bank of Baroda Research

- Global yields closed mixed. US 10Y yield rose the most by 7bps as pending home sales data, personal consumption demand in Q1 and core PCE posted



solid growth. Even Germany and UK's 10Y yield rose by 6bps each as markets are pricing in a 25bps rate hike from Fed. Japan's 10Y yield closed on anticipation of the tone of future policy guidance from new BoJ Governor. India's 10Y yield also fell by 2bps ahead of weekly auction. It is trading at 7.12% today.

Fig 3 – Bond 10Y yield

	26-04-2023	27-04-2023	change in bps
US	3.45	3.52	7
UK	3.73	3.79	6
Germany	2.40	2.46	6
Japan	0.47	0.47	0
China	2.80	2.79	(1)
India	7.11	7.10	(2)

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

Fig 4 – Short term rates

	26-04-2023	27-04-2023	change in bps
Tbill-91 days	6.81	6.81	0
Tbill-182 days	6.95	6.95	0
Tbill-364 days	7.00	6.98	(2)
G-Sec 2Y	6.90	6.88	(1)
India OIS-2M	6.59	6.60	1
India OIS-9M	6.60	6.61	2
SONIA int rate benchmark	4.18	4.18	0
US SOFR	4.80	4.80	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	26-04-2023	27-04-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.4)	(0.4)	0
Reverse repo	0.2	0.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	25-04-2023	26-04-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(117.3)	290.1	407.4
Debt	(73.1)	113.9	187.0
Equity	(44.2)	176.2	220.4
Mutual funds (Rs cr)	1,362.4	(1,261.6)	(2,624.0)
Debt	1,818.8	(787.1)	(2,605.9)
Equity	(456.4)	(474.5)	(18.1)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 12 Apr 2023 and 13 Apr 2023

- Crude oil prices stabilised amidst comments from Russia that the oil market remains balanced.

Fig 7 – Commodities

	26-04-2023	27-04-2023	% change
Brent crude (US\$/bbl)	77.7	78.4	0.9
Gold (US\$/ Troy Ounce)	1,989.0	1,987.8	(0.1)
Copper (US\$/ MT)	8,535.3	8,569.5	0.4
Zinc (US\$/MT)	2,644.3	2,621.3	(0.9)
Aluminium (US\$/MT)	2,327.0	2,319.0	(0.3)

Source: Bloomberg, Bank of Baroda Research



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