

MORNING MOCHA

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ECONOMIST
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Sluggish US data (shrinking manufacturing activity and lower jobs opening) pulled down the dollar index and raised hope of Fed nearing the end of rate tightening cycle. Some of the Global Central Banks have already started to hit the pause button with Reserve Bank of Australia keeping rates unchanged at 3.6%. However, the same cannot be said about New Zealand which hiked rate by 50bps to 5.25%. In India, manufacturing PMI expanded to 3-month high to 56.4 in Mar'23 from 55.3 in Feb'23 boosted by uptick in new orders and output amidst easing of input cost pressure. Separately, World Bank has trimmed India's growth down to 6.3% for FY24 (6.6% earlier) on the back of slower consumption growth and challenging external conditions. Markets await RBI's rate decision and a possible shift in stance in the upcoming meet.

- Global indices ended mixed. US indices took a beating after JOLTS report signalled the likelihood of US labour market cooling off. FTSE ended lower and was dragged down by oil and gas stocks. On other other hand, Shanghai Comp gained by 0.5% followed by Nikkei (0.4%). Sensex is trading higher today while other Asian indices are trading mixed.

Fig 1 – Stock markets

	03-04-2023	04-04-2023	% change
Dow Jones	33,601	33,402	(0.6)
S & P 500	4,125	4,101	(0.6)
FTSE	7,673	7,635	(0.5)
Nikkei	28,188	28,287	0.4
Hang Seng	20,409	20,275	(0.7)
Shanghai Comp	3,296	3,313	0.5
Sensex	58,992	59,106	0.2
Nifty	17,360	17,398	0.2

Source: Bloomberg, Bank of Baroda Research | Note: Indian market were shut on 4.4.23

- Most global currencies ended higher against the dollar, with GBP (+0.7%) and JPY (+0.6%) gaining the most. DXY was down by 0.5%, following weaker than expected macro data (factory orders, ISM manufacturing and job openings), fuelling hopes of a pause by US Fed. Following global cues, INR is trading higher today, in line while other Asian currencies.

Fig 2 – Currencies

	03-04-2023	04-04-2023	% change
EUR/USD (1 EUR / USD)	1.0899	1.0953	0.5
GBP/USD (1 GBP / USD)	1.2414	1.2501	0.7
USD/JPY (JPY / 1 USD)	132.46	131.71	0.6
USD/INR (INR / 1 USD)	82.18	82.33	(0.2)
USD/CNY (CNY / 1 USD)	6.8777	6.8793	(0.0)

Source: Bloomberg, Bank of Baroda Research | Note: Indian market were shut on 4.4.23



- Major global 10Y yields closed mixed. While yields in US (-7bps) and Germany (-1bps) fell, they were stable in the UK (flat) and rose in Japan (+3bps). Weaker than anticipated macro data from the US has increased the likelihood (59% chance) of Fed opting for a pause in the next policy meeting. Today, India's 10Y yield is trading lower at 7.29% as participants await RBI's rate decision.

Fig 3 – Bond 10Y yield

	03-04-2023	04-04-2023	change in bps
US	3.41	3.34	(7)
UK	3.43	3.43	0
Germany	2.26	2.25	(1)
Japan	0.39	0.43	3
China	2.86	2.87	0
India	7.31	7.31	0

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

Fig 4 – Short term rates

	03-04-2023	04-04-2023	change in bps
Tbill-91 days	6.88	6.93	5
Tbill-182 days	7.10	7.17	7
Tbill-364 days	7.16	7.21	5
G-Sec 2Y	7.05	7.06	1
SONIA int rate benchmark	4.18	4.18	0
US SOFR	4.87	4.84	(3)

Source: Bloomberg, Bank of Baroda Research | Note: Indian market were shut on 4.4.23

Fig 5 – Liquidity

Rs tn	31-04-2023	03-04-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.0)	(2.1)	(1.1)
Reverse repo	0	0	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research | Note: Indian market were shut on 4.4.23

Fig 6 – Capital market flows

	29-03-2023	31-03-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(372.6)	293.5	666.1
Debt	(474.0)	5.7	479.7
Equity	101.4	287.8	186.4
Mutual funds (Rs cr)	1,621.4	1,461.5	(159.9)
Debt	(376.1)	(254.9)	121.2
Equity	1,997.5	1,716.4	(281.1)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 23 Mar 2023 and 24 Mar 2023

- Global oil prices largely remained unchanged as investors continued to monitor the developments post the announcement of supply cuts by OPEC+ members.

Fig 7 – Commodities

	03-04-2023	04-04-2023	% change
Brent crude (US\$/bbl)	84.9	84.9	0
Gold (US\$/ Troy Ounce)	1,984.7	2,020.4	1.8
Copper (US\$/ MT)	8,917.0	8,740.3	(2.0)
Zinc (US\$/MT)	2,923.7	2,852.5	(2.4)
Aluminium (US\$/MT)	2,397.5	2,370.5	(1.1)

Source: Bloomberg, Bank of Baroda Research



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