

## MORNING MOCHA

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ECONOMIST  
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Global markets await decision on raising US' debt ceiling as the deadline approaches closer. Uncertainty around the verdict, along with stubborn CPI print (core) is keeping bond markets on the edge. Latest US Michigan consumer sentiment index shows that consumer confidence is also weakening (57.7 in May'23 versus est.: 63 and 63.5 in Apr'23). Survey also indicates that 1Y inflation outlook remains stubborn (4.5% versus est.: 4.4% and 4.6% in Apr'23) and 5-10Y inflation expectation also remains high (3.2% versus est.: 2.9% and 3% in Apr'23). In UK, data confirmed that GDP rose by 0.1% in Q1, and industrial production in Mar'23 (MoM) rebounded significantly (0.7% versus est.: 0.1% and -0.1% in Feb'23). In India, CPI eased to 4.7% in Apr'23 (in line with expectation), from 5.7% (Mar'23).

- Global indices ended mixed led by concerns over US debt ceiling and subdued data print (US consumer sentiment dropped to 6-month low). On the other hand, FTSE ended in green. Sensex too climbed higher and rallied for the 3rd straight week aided by gains in auto and banking stocks. It is trading higher today while other Asian stocks are trading mixed.

**Fig 1 – Stock markets**

	11-05-2023	12-05-2023	% change
Dow Jones	33,310	33,301	0
S & P 500	4,131	4,124	(0.2)
FTSE	7,731	7,755	0.3
Nikkei	29,127	29,388	0.9
Hang Seng	19,744	19,627	(0.6)
Shanghai Comp	3,310	3,272	(1.1)
Sensex	61,905	62,028	0.2
Nifty	18,297	18,315	0.1

Source: Bloomberg, Bank of Baroda Research

- Global currencies ended lower against the dollar. DXY strengthened by 0.6% (over 2-month high) with investors moving towards safe haven after weak US data. Investors are expecting rate cuts might be off the table. INR is trading weaker today while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	11-05-2023	12-05-2023	% change
EUR/USD (1 EUR / USD)	1.0916	1.0849	(0.6)
GBP/USD (1 GBP / USD)	1.2511	1.2458	(0.4)
USD/JPY (JPY / 1 USD)	134.53	135.70	(0.9)
USD/INR (INR / 1 USD)	82.09	82.17	(0.1)
USD/CNY (CNY / 1 USD)	6.9489	6.9591	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Except in Asia (yields flat/lower), other global yields ended higher. 10Y yields in US (+8bps) and UK (+7bps) rose the most. Uncertainty around looming debt



ceiling deadline in the US impacted investor sentiments. Further, UK's better than expected industrial production data indicated that economy might not be slowing down as much as anticipated. Supported by drop in oil prices, India's 10Y yield fell below 7% mark (6.99%), but is trading back at 7% today.

**Fig 3 – Bond 10Y yield**

	11-05-2023	12-05-2023	change in bps
US	3.38	3.46	8
UK	3.71	3.78	7
Germany	2.23	2.28	5
Japan	0.40	0.39	(1)
China	2.70	2.71	0
India	7.02	6.99	(3)

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

**Fig 4 – Short term rates**

	11-05-2023	12-05-2023	change in bps
Tbill-91 days	6.91	6.91	0
Tbill-182 days	7.00	6.99	(1)
Tbill-364 days	6.98	6.99	1
G-Sec 2Y	6.89	6.89	0
India OIS-2M	6.68	6.66	(2)
India OIS-9M	6.63	6.62	(1)
SONIA int rate benchmark	4.18	4.43	25
US SOFR	5.06	5.05	(1)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	11-05-2023	12-05-2023	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**

	10-05-2023	11-05-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	378.9	244.1	(134.9)
Debt	99.1	123.4	24.3
Equity	279.9	120.7	(159.2)
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 dropped for the 3rd week in a row after economic concerns emerged in US and China.

**Fig 7 – Commodities**

	11-05-2023	12-05-2023	% change
Brent crude (US\$/bbl)	75.0	74.2	(1.1)
Gold (US\$/ Troy Ounce)	2,015.1	2,010.8	(0.2)
Copper (US\$/ MT)	8,133.2	8,222.8	1.1
Zinc (US\$/MT)	2,532.3	2,533.0	0
Aluminium (US\$/MT)	2,211.0	2,231.5	0.9

Source: Bloomberg, Bank of Baroda Research



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