

## MORNING MOCHA

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ECONOMIST  
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Macro data in the US is giving mixed signals, pointing out that the economy may not be slowing as much as anticipated. While retail sales fell (-1% MoM) more than expected (-0.5%) in Mar'23 versus Feb'23 (-0.2%), on the other hand, industrial production (0.4% in Mar'23 versus est.: 0.2%) and consumer sentiment index (63.5 in Apr'23 versus est.: 62.1) improved. In addition, a member of Fed Reserve Board, Christopher Waller, suggested that Fed tightening should continue as inflation still remains at elevated. This pushed yields and DXY up. In Singapore, MAS left its monetary policy unchanged (after 5 successive tightening moves earlier), despite elevated core inflation (5.5% in Jan-Feb'23 versus 5.1% in Q4). It also warned of a steeper than anticipated decline in economic in CY23 owing to global factors.

- Barring US, other global indices ended higher. Recent macro data of US, indicates that Fed may possibly continue with the rate hikes in May (82% chance) and June. European indices ended higher led by a rally in banking stocks, with a news of a takeover deal. Sensex rose with strong gains reported by banking and real estate stocks. However, it is trading lower today, while other Asian stocks are trading mixed.

**Fig 1 – Stock markets**

	13-04-2023	14-04-2023	% change
Dow Jones	34,030	33,886	(0.4)
S & P 500	4,146	4,138	(0.2)
FTSE	7,843	7,872	0.4
Nikkei	28,157	28,493	1.2
Hang Seng	20,344	20,439	0.5
Shanghai Comp	3,318	3,338	0.6
Sensex	60,393	60,431	0.1
Nifty	17,812	17,828	0.1

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 14.04.2023

- Apart from CNY (flat), other global currencies ended lower against the dollar. US industrial production slowed less than anticipated and raised the likelihood of rate hikes. DXY climbed up by 0.5%. GBP rose by 0.9% ahead of CPI and employment data. INR appreciated by 0.3%, but it is trading weaker today, in line with other Asian currencies.

**Fig 2 – Currencies**

	13-04-2023	14-04-2023	% change
EUR/USD (1 EUR / USD)	1.1046	1.0992	(0.5)
GBP/USD (1 GBP / USD)	1.2523	1.2413	(0.9)
USD/JPY (JPY / 1 USD)	132.58	133.79	(0.9)
USD/INR (INR / 1 USD)	82.09	81.86	0.3
USD/CNY (CNY / 1 USD)	6.8676	6.8691	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 14.04.2023



- Except Japan and China (flat), other global yields closed higher. In the US, industrial production and consumer sentiment index, both increased beyond market expectations. In addition, a key Fed official also indicated that Fed rates will have to go up further to tame inflation. As a results, 10Y yields in US jumped by 7bps. India's 10Y yield rose by 3bps (7.22%). It is trading broadly steady at 7.23% today.

**Fig 3 – Bond 10Y yield**

	13-04-2023	14-04-2023	change in bps
US	3.44	3.51	7
UK	3.58	3.67	9
Germany	2.37	2.44	7
Japan	0.47	0.48	0
China	2.83	2.83	0
India	7.19	7.22	3

Source: Bloomberg, Bank of Baroda Research, 07.26 GS 2033 security taken for India | Note: Markets in India were closed on 14.04.2023

**Fig 4 – Short term rates**

	12-04-2023	13-04-2023	change in bps
Tbill-91 days	6.71	6.70	(1)
Tbill-182 days	6.95	6.92	(3)
Tbill-364 days	7.00	6.97	(3)
G-Sec 2Y	6.90	6.92	2
SONIA int rate benchmark	4.18	4.18	0
US SOFR	4.80	4.80	0

Source: Bloomberg, Bank of Baroda Research | Note: Markets in India were closed on 14.04.2023

**Fig 5 – Liquidity**

Rs tn	12-04-2023	13-04-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.0)	(1.7)	0.3
Reverse repo	1.2	1.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research | Note: Markets in India were closed on 14.04.2023

**Fig 6 – Capital market flows**

	11-04-2023	12-04-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	71.7	263.4	191.7
Debt	(53.8)	1.2	55.1
Equity	125.5	262.2	136.7
Mutual funds (Rs cr)	2,387.4	2,825.8	438.5
Debt	2,453.8	3,916.4	1,462.6
Equity	(66.5)	(1,090.6)	(1,024.1)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 3 Apr 2023 and 5 Apr 2023

- Global oil prices rose by 0.3% and by 2.5% during the week to settle at US\$ 86.3/bbl, as IEA predicts boost in consumption demand, led by China.

**Fig 7 – Commodities**

	13-04-2023	14-04-2023	% change
Brent crude (US\$/bbl)	86.1	86.3	0.3
Gold (US\$/ Troy Ounce)	2,040.2	2,004.2	(1.8)
Copper (US\$/ MT)	9,065.8	9,030.3	(0.4)
Zinc (US\$/MT)	2,854.5	2,873.8	0.7
Aluminium (US\$/MT)	2,367.0	2,385.5	0.8

Source: Bloomberg, Bank of Baroda Research



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