

MORNING MOCHA

02 May 2023

ECONOMIST
Jahnvi

A string of data releases this week is likely to keep investors on their toes. Central Bank decisions from RBA, Fed and ECB will shed more light on global monetary tightening cycle. This comes in the wake of BoJ's decision to continue with ultra-loose monetary policy in sharp contrast to other banks. As a result, Yen slipped close to a 2-month low, before steadying back. While gold prices remained flat, DXY strengthened. Subdued global demand outlook, dragged down oil prices. Separately, US manufacturing PMI contracted once again in Apr (47.1 from 46.3), albeit at a slower pace. China's manufacturing PMI unexpectedly cools off in Apr'23. On the other hand, India's manufacturing PMI rose to 4-month high in Apr'23 to 57.2 from 56.4 in Mar'23.

- Except US indices, other global stocks ended higher. Investor monitored corporate earnings from across the globe. Additionally, news of First Republic bank being acquired by JP Morgan ahead of the Fed rate decision kept the investors wary. Most of the Asian indices were closed due to Labour day, were trading mixed today. Sensex too started the week with a bang and rallied more than 250 points in the morning session today.

Fig 1 – Stock markets

	28-04-2023	01-05-2023	% change
Dow Jones	34,098	34,052	(0.1)
S & P 500	4,169	4,168	0
FTSE	7,832	7,871	0.5
Nikkei	28,856	29,123	0.9
Hang Seng	19,840	19,895	0.3
Shanghai Comp	3,286	3,323	1.1
Sensex	60,649	61,112	0.8
Nifty	17,915	18,065	0.8

Source: Bloomberg, Bank of Baroda Research Note: India, UK, Hong Kong and China were shut on 1st May 2023

- Barring INR and CNY (closed), other global currencies ended lower. JPY and GBP fell the most. DXY rose by 0.5% following the news acquisition of First Republic Bank and Fed being on track to hike rate in this week's meeting. INR is trading stronger today, in line with other Asian currencies, owing to improvement in risk appetite of investors.

Fig 2 – Currencies

	28-04-2023	01-05-2023	% change
EUR/USD (1 EUR / USD)	1.1019	1.0976	(0.4)
GBP/USD (1 GBP / USD)	1.2567	1.2496	(0.6)
USD/JPY (JPY / 1 USD)	136.30	137.50	(0.9)
USD/INR (INR / 1 USD)	81.84	81.83	0
USD/CNY (CNY / 1 USD)	6.9225	6.9126	0.1

Source: Bloomberg, Bank of Baroda Research Note: India and China were shut on 1st May 2023



- Global yields closed mixed. 10Y yield in the US rose the most (+15bps), as investors await forward guidance from Fed's meeting this week and risks owing to uncertainty around debt ceiling remain elevated. Tracking global cues, India's 10Y yield has opened a tad higher at 7.13% today.

Fig 3 – Bond 10Y yield

	28-04-2023	01-05-2023	change in bps
US	3.42	3.57	15
UK	3.72	3.72	0
Germany	2.31	2.31	0
Japan	0.39	0.41	1
China	2.79	2.78	(1)
India	7.10	7.12	2

Source: Bloomberg, Bank of Baroda Research, 07.26 GS 2033 security taken for India Note: India and China were shut on 1st May 2023

Fig 4 – Short term rates

	27-04-2023	28-04-2023	change in bps
Tbill-91 days	6.81	6.78	(3)
Tbill-182 days	6.95	6.95	0
Tbill-364 days	6.98	7.00	2
G-Sec 2Y	6.88	6.89	1
India OIS-2M	6.60	6.59	(1)
India OIS-9M	6.61	6.62	1
SONIA int rate benchmark	4.18	4.18	0
US SOFR	4.81	4.81	0

Source: Bloomberg, Bank of Baroda Research Note: India and China were shut on 1st May 2023

Fig 5 – Liquidity

Rs tn	27-04-2023	28-04-2023	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 Note: India was shut on 1st May 2023

Fig 6 – Capital market flows

	26-04-2023	27-04-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	290.1	548.3	258.2
Debt	113.9	66.2	(47.7)
Equity	176.2	482.0	305.8
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

- Global oil prices fell by 0.3%, as weaker than expected China's macro data and expectation of Fed rate hikes, weighed down on prospects of global demand.

Fig 7 – Commodities

	28-04-2023	01-05-2023	% change
Brent crude (US\$/bbl)	79.5	79.3	(0.3)
Gold (US\$/ Troy Ounce)	1,990.0	1,982.6	(0.4)
Copper (US\$/ MT)	8,569.5	8,577.0	0.1
Zinc (US\$/MT)	2,621.3	2,650.5	1.1
Aluminium (US\$/MT)	2,319.0	2,356.0	1.6

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

Chief Economist

Bank of Baroda

+91 22 6698 5143

chief.economist@bankofbaroda.com