

MORNING MOCHA

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ECONOMIST
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Fed's beige book indicates that economic activity remains broadly unchanged. Signs of stress are visible in manufacturing activity and lending volumes. Further, producer prices have begun to cool down, while consumer prices still remain elevated, owing to steady demand. Wage growth is moderating but still remains at elevated levels. Analysts are now expecting one or two more rate hikes by Fed, while the probability of rate cut in CY23 has narrowed. In UK, while CPI in Mar'23 eased to 10.1% from 10.4% in Feb'23, it still remains above the 10% mark and also above market expectation of 9.8%. This has raised the likelihood of at least one more rate hike by BoE.

- Most of global indices ended lower with focus turning towards Fed meet and corporate earnings. Fed's Beige Book highlighted that little has changed in the economy, though access to credit has narrowed in the wake of banking crisis. Sensex declined for 3rd straight day led by losses in IT and power stocks. However, it is trading higher today while other Asian indices are trading lower.

Fig 1 – Stock markets

	18-04-2023	19-04-2023	% change
Dow Jones	33,977	33,897	(0.2)
S & P 500	4,155	4,155	0
FTSE	7,909	7,899	(0.1)
Nikkei	28,659	28,607	(0.2)
Hang Seng	20,651	20,368	(1.4)
Shanghai Comp	3,393	3,370	(0.7)
Sensex	59,727	59,568	(0.3)
Nifty	17,660	17,619	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Barring GBP, other global currencies ended lower. DXY climbed up by 0.2% with better than expected results posted by US Banks. GBP firmed up after UK's inflation print came in hotter than expected and raised the likelihood of more hikes by BoE. INR depreciated by 0.2% despite fall in oil prices. Though, it is trading stronger today and other Asian currencies are trading mixed.

Fig 2 – Currencies

	18-04-2023	19-04-2023	% change
EUR/USD (1 EUR / USD)	1.0972	1.0955	(0.2)
GBP/USD (1 GBP / USD)	1.2425	1.2439	0.1
USD/JPY (JPY / 1 USD)	134.12	134.72	(0.4)
USD/INR (INR / 1 USD)	82.04	82.23	(0.2)
USD/CNY (CNY / 1 USD)	6.8762	6.8847	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Except China and India (flat), other global yields inched up. 10Y yield in UK rose the most (+11bps), followed by Germany and US. UK's elevated inflation print



for Mar'23 has reignited fears of more rate hikes by BoE. Further, probability of Fed cutting rates this year has narrowed considerably. India's 10Y yield remained unchanged and is trading lower today at 7.19%.

Fig 3 – Bond 10Y yield

	18-04-2023	19-04-2023	change in bps
US	3.58	3.59	2
UK	3.75	3.86	11
Germany	2.48	2.52	4
Japan	0.48	0.48	1
China	2.84	2.84	0
India	7.20	7.20	0

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

Fig 4 – Short term rates

	18-04-2023	19-04-2023	change in bps
Tbill-91 days	6.70	6.76	6
Tbill-182 days	6.94	6.94	0
Tbill-364 days	7.00	6.99	(1)
G-Sec 2Y	6.92	6.94	1
India OIS-2M	6.56	6.57	1
India OIS-9M	6.61	6.62	1
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	18-04-2023	19-04-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.9)	(1.7)	0.2
Reverse repo	1.2	1.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	17-04-2023	18-04-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(70.7)	(4.4)	66.3
Debt	(122.2)	62.9	185.0
Equity	51.5	(67.3)	(118.8)
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 as dollar strengthened, and worries around global demand persist amidst possibility of more rate hikes by Fed and BoE.

Fig 7 – Commodities

	18-04-2023	19-04-2023	% change
Brent crude (US\$/bbl)	84.8	83.1	(1.9)
Gold (US\$/ Troy Ounce)	2,005.5	1,994.9	(0.5)
Copper (US\$/ MT)	9,004.4	8,947.8	(0.6)
Zinc (US\$/MT)	2,880.0	2,782.3	(3.4)
Aluminium (US\$/MT)	2,437.0	2,445.0	0.3

Source: Bloomberg, Bank of Baroda Research



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