

MORNING MOCHA

21 April 2023

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Latest US data shows that existing home sales have again begun to decline in Mar'23 (4.4mn units versus est.: 4.5mn and 4.6mn in Feb'23). On a MoM basis, sales were down by (-) 2.4% versus est.: (-) 1.8% and 14.5% increase in Feb'23. This is largely owing to reversal in mortgage rates. Further, labour market is also beginning to show signs of stress as initial jobless claims were up by 5k to 245k for the week ending 15 April. However, as 4-week moving average remains broadly steady (-0.5k, to 239,750), Fed is widely expected to increase rates by another 25bps in May'23. This has reignited fears of recession, leading to decline in equity markets, and bond yields. Oil prices were impacted by possibility of muted global demand and higher supplies from Russia.

- Global indices ended mixed. Investors digested earnings report from across the globe. US indices ended in red after disappointing string of data releases signalling broad weakness in the economy. Sensex rebounded and inched up after declining for 3 days in a row led by marginal gains in power and cap goods stocks. It is trading higher today while other Asian indices are trading lower.

Fig 1 – Stock markets

| | 19-04-2023 | 20-04-2023 | % change |
|---------------|------------|------------|----------|
| Dow Jones | 33,897 | 33,787 | (0.3) |
| S & P 500 | 4,155 | 4,130 | (0.6) |
| FTSE | 7,899 | 7,903 | 0 |
| Nikkei | 28,607 | 28,658 | 0.2 |
| Hang Seng | 20,368 | 20,397 | 0.1 |
| Shanghai Comp | 3,370 | 3,367 | (0.1) |
| Sensex | 59,568 | 59,632 | 0.1 |
| Nifty | 17,619 | 17,624 | 0 |

Source: Bloomberg, Bank of Baroda Research

- Barring GBP (flat), other global currencies ended higher. Weakness in DXY (0.1%) was evident as fear of recession is back (subdued US data). Despite this, Fed is likely to raise rates in the upcoming meet. INR appreciated by 0.1% as oil prices slipped amidst concerns over subdued demand. It is trading even stronger today while other Asian currencies are trading mixed.

Fig 2 – Currencies

| | 19-04-2023 | 20-04-2023 | % change |
|-----------------------|------------|------------|----------|
| EUR/USD (1 EUR / USD) | 1.0955 | 1.0970 | 0.1 |
| GBP/USD (1 GBP / USD) | 1.2439 | 1.2443 | 0 |
| USD/JPY (JPY / 1 USD) | 134.72 | 134.24 | 0.4 |
| USD/INR (INR / 1 USD) | 82.23 | 82.16 | 0.1 |
| USD/CNY (CNY / 1 USD) | 6.8847 | 6.8742 | 0.2 |

Source: Bloomberg, Bank of Baroda Research



- Except China and India (flat), other global yields declined. 10Y yield in UK fell the most (-9bps), followed by Germany and US. Weaker than expected data from the US (home sales, jobless claims) has reignited fears of recession. India's 10Y yield remained flat but is trading a tad higher at 7.21% today.

Fig 3 – Bond 10Y yield

| | 19-04-2023 | 20-04-2023 | change in bps |
|---------|------------|------------|---------------|
| US | 3.59 | 3.53 | (6) |
| UK | 3.86 | 3.77 | (9) |
| Germany | 2.52 | 2.45 | (7) |
| Japan | 0.48 | 0.47 | (1) |
| China | 2.84 | 2.83 | 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

| | 19-04-2023 | 20-04-2023 | change in bps |
|--------------------------|------------|------------|---------------|
| Tbill-91 days | 6.76 | 6.77 | 1 |
| Tbill-182 days | 6.94 | 6.92 | (2) |
| Tbill-364 days | 6.99 | 6.98 | (1) |
| G-Sec 2Y | 6.94 | 6.89 | (4) |
| India OIS-2M | 6.57 | 6.57 | 0 |
| India OIS-9M | 6.62 | 6.61 | (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 | 19-04-2023 | 20-04-2023 | change (Rs tn) |
|-----------------------------------|------------|------------|----------------|
| Net Liquidity (-Surplus/+deficit) | (1.7) | (1.4) | 0.3 |
| Reverse repo | 1.2 | 1.2 | 0 |
| Repo | 0 | 0 | 0 |

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

| | 18-04-2023 | 19-04-2023 | change (US\$ mn/Rs cr) |
|----------------------|------------|------------|------------------------|
| FII (US\$ mn) | (4.4) | 18.9 | 23.3 |
| Debt | 62.9 | (1.7) | (64.6) |
| Equity | (67.3) | 20.6 | 87.9 |
| 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 2.4%, over concerns of muted global demand, and higher oil supplies from Russia in Apr'23 (expected to be highest since 2019).

Fig 7 – Commodities

| | 19-04-2023 | 20-04-2023 | % change |
|-------------------------|------------|------------|----------|
| Brent crude (US\$/bbl) | 83.1 | 81.1 | (2.4) |
| Gold (US\$/ Troy Ounce) | 1,994.9 | 2,004.8 | 0.5 |
| Copper (US\$/ MT) | 8,947.8 | 8,865.3 | (0.9) |
| Zinc (US\$/MT) | 2,782.3 | 2,757.5 | (0.9) |
| Aluminium (US\$/MT) | 2,445.0 | 2,421.0 | (1.0) |

Source: Bloomberg, Bank of Baroda Research



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