

## MORNING MOCHA

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ECONOMIST  
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Fed's gauge of inflation data (PCE: down to 5% in Feb'23 against 5.3% in Jan'23) surprised positively. However, despite this cool off, FedWatch pointed the probability of 25bps hike now stands at 61% against 48% previously. Fed Board Governor is scheduled to speak today and might offer more information on the same. Surprise output cuts announced by OPEC+ members sent the markets in to tizzy with growing unrest over possibility of hotter global inflation. Elsewhere, Japan's PMI contracted at a much slower pace at 49.2 in Mar'23 (47.7 in Feb'23). In the ongoing week, investors will monitor the release of US payroll and US ISM data. On the domestic front, RBI's rate decision is keenly awaited.

- Global indices ended in green. Fed's preferred indicator for inflation started showing early signs of cooling with PCE (personal consumption expenditure index) moderating to 5% (vs 5.3% in Jan'23) and Core PCE easing down to 4.6% (vs 4.7% in Jan'23), as result pushing US indices higher. Technology and consumer good stocks gained the most. Tracking global cues, Sensex too ended in green climbing up by 1.8% led by IT and banking stocks. Sensex is trading higher today, in line with other Asian indices.

**Fig 1 – Stock markets**

	30-03-2023	31-03-2023	% change
Dow Jones	32,859	33,274	1.3
S & P 500	4,051	4,109	1.4
FTSE	7,620	7,632	0.1
Nikkei	27,783	28,041	0.9
Hang Seng	20,309	20,400	0.4
Shanghai Comp	3,261	3,273	0.4
Sensex	57,960	58,992	1.8
Nifty	17,081	17,360	1.6

Source: Bloomberg, Bank of Baroda Research

- Barring INR and CNY, other global currencies fell against the dollar. DXY rose by 0.1%. PCE inflation showed prices have moderated, while on the other hand, jobless claims rose. In Europe, stubbornly high core inflation has raised concerns that ECB will have to hike rates more than the Fed this year. INR rose by 0.2%. However, it is trading lower today, in line with other Asian currencies.

**Fig 2 – Currencies**

	30-03-2023	31-03-2023	% change
EUR/USD (1 EUR / USD)	1.0905	1.0839	(0.6)
GBP/USD (1 GBP / USD)	1.2386	1.2337	(0.4)
USD/JPY (JPY / 1 USD)	132.70	132.86	(0.1)
USD/INR (INR / 1 USD)	82.34	82.18	0.2
USD/CNY (CNY / 1 USD)	6.8706	6.8736	0

Source: Bloomberg, Bank of Baroda Research



- Except Japan and India (higher), other global yields closed lower. Yields in US and Germany (-8bps each) fell the most. Softer than anticipated inflation print in the US for Mar'23 has raised hopes that Fed might not take an aggressive stance on rates. India's 10Y yield rose by 3bps (7.31%), ahead of RBI's monetary policy decision. It is trading further higher today at 7.33%.

**Fig 3 – Bond 10Y yield**

	30-03-2023	31-03-2023	change in bps
US	3.55	3.47	(8)
UK	3.52	3.49	(3)
Germany	2.37	2.29	(8)
Japan	0.33	0.35	2
China	2.87	2.86	(1)
India	7.29	7.31	3

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

**Fig 4 – Short term rates**

	30-03-2023	31-03-2023	change in bps
Tbill-91 days	7.00	6.88	(12)
Tbill-182 days	7.26	7.10	(16)
Tbill-364 days	7.29	7.16	(13)
G-Sec 2Y	7.17	7.05	(13)
SONIA int rate benchmark	4.18	4.18	0
US SOFR	4.83	4.82	(1)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	29-03-2023	31-03-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.4)	(1.0)	(0.6)
Reverse repo	0	0	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	28-03-2023	29-03-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	308.7	(372.6)	(681.3)
Debt	71.9	(474.0)	(545.8)
Equity	236.8	101.4	(135.4)
Mutual funds (Rs cr)	1,621.4	1,461.5	(159.9)
Debt	(376.1)	(254.9)	121.2
Equity	1,997.5	1,716.4	(281.1)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 23 Mar 2023 and 24 Mar 2023

- Crude oil prices continued the upward momentum and rose by 0.6% led by OPEC+ announcing a surprise cut in output.

**Fig 7 – Commodities**

	30-03-2023	31-03-2023	% change
Brent crude (US\$/bbl)	79.3	79.8	0.6
Gold (US\$/ Troy Ounce)	1,980.4	1,969.3	(0.6)
Copper (US\$/ MT)	9,003.3	9,003.5	0
Zinc (US\$/MT)	2,963.5	2,947.3	(0.5)
Aluminium (US\$/MT)	2,386.0	2,413.0	1.1

Source: Bloomberg, Bank of Baroda Research



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