

## MORNING MOCHA

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ECONOMIST  
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Global markets turned buoyant after the US debt ceiling deal was tentatively struck with final voting expected this week (5<sup>th</sup> June timeline). However, some risk continue to loom as investors are concerned about the possible spending cuts might weigh in on growth. Furthermore, the entire process has also raised concerns over US standing with other credit rating agencies. Separately, markets will await China's PMI reading and rate decision by Bank of Thailand.

- The in-principle approval in the US debt ceiling deal has pushed global indices in to a relief rally. Nikkei climbed up by 1% (highest since Jul'90). Amidst the positive trend and boosted by strong FII inflows, Sensex reclaimed the crucial 63,000 mark led by strong gains in consumer durable and metal stocks. However, it opened lower today, while other Asian stocks are trading mixed.

**Fig 1 – Stock markets**

	26-05-2023	29-05-2023	% change
Dow Jones	32,765	33,093	1.0
S & P 500	4,151	4,205	1.3
FTSE	7,571	7,627	0.7
Nikkei	30,916	31,234	1.0
Hang Seng	18,747	18,551	(1.0)
Shanghai Comp	3,213	3,221	0.3
Sensex	62,502	62,846	0.6
Nifty	18,499	18,599	0.5

Source: Bloomberg, Bank of Baroda Research | Note: US and UK markets were shut on 29.5.23

- Except GBP (closed) and JPY (higher), other global currencies ended lower against the dollar. DXY ended flat, as risk-on sentiment, supported by US debt ceiling deal, was offset by increased probability of rate hike by Fed in Jun'23. INR depreciated by 0.1%, driven by demand for US\$ by OMCs. It is trading further lower today, in line with other Asian currencies.

**Fig 2 – Currencies**

	26-05-2023	29-05-2023	% change
EUR/USD (1 EUR / USD)	1.0723	1.0708	(0.1)
GBP/USD (1 GBP / USD)	1.2344	1.2355	0.1
USD/JPY (JPY / 1 USD)	140.60	140.45	0.1
USD/INR (INR / 1 USD)	82.57	82.63	(0.1)
USD/CNY (CNY / 1 USD)	7.0640	7.0711	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Global yields closed mixed. Barring US and UK (closed), yields in Germany and China fell, while they rose in Japan and India. Germany's weaker than expected GDP growth in Q1 continues to dampen investor sentiment. US debt ceiling deal



also allowed yields to come off their high. India's 10Y yield rose by 2bps, as oil prices inched up and analysts expect rate hike by Fed in Jun'23.

**Fig 3 – Bond 10Y yield**

	26-05-2023	29-05-2023	change in bps
US	3.82	3.80	(2)
UK	4.37	4.33	(4)
Germany	2.54	2.43	(10)
Japan	0.42	0.44	2
China	2.72	2.72	(1)
India	7.01	7.03	2

Source: Bloomberg, Bank of Baroda Research, 07.26 GS 2033 security taken for India | Note: US and UK markets were shut on 29.5.23

**Fig 4 – Short term rates**

	26-05-2023	29-05-2023	change in bps
Tbill-91 days	6.73	6.75	2
Tbill-182 days	6.87	6.88	1
Tbill-364 days	6.89	6.90	1
G-Sec 2Y	6.83	6.84	1
India OIS-2M	6.54	6.54	0
India OIS-9M	6.57	6.59	2
SONIA int rate benchmark	4.43	4.43	0
US SOFR	5.05	5.06	1

Source: Bloomberg, Bank of Baroda Research | Note: US and UK markets were shut on 29.5.23

**Fig 5 – Liquidity**

Rs tn	26-05-2023	29-05-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.0)	(1.0)	0
Reverse repo	0.5	0.5	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	25-05-2023	26-05-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	442.1	265.9	(176.2)
Debt	138.6	49.6	(89.0)
Equity	303.5	216.4	(87.2)
Mutual funds (Rs cr)	733.2	(316.2)	(1,049.4)
Debt	415.5	(824.7)	(1,240.2)
Equity	317.7	508.5	190.8

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

- Global oil prices rose by 0.2% as tentative US debt ceiling deal raised hopes for improved demand.

**Fig 7 – Commodities**

	26-05-2023	29-05-2023	% change
Brent crude (US\$/bbl)	77.0	77.1	0.2
Gold (US\$/ Troy Ounce)	1,946.5	1,943.2	(0.2)
Copper (US\$/ MT)	7,914.8	8,106.0	2.4
Zinc (US\$/MT)	2,259.0	2,329.3	3.1
Aluminium (US\$/MT)	2,231.0	2,237.5	0.3

Source: Bloomberg, Bank of Baroda Research | Note: US and UK markets were shut on 29.5.23



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