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Amidst muted domestic demand, CPI inflation in China decelerated further to 0.7% in Mar'23 (est. 1%) from 1% in Feb'23. PPI deflation too quickened to -2.5% compared with -1.4% in Feb'23. Elsewhere, in line with expectations Bank of Korea kept policy rates unchanged for the second consecutive meeting. However, monetary policy stance was kept restrictive as inflation remains above target. It also stated that GDP growth is likely to be lower than its projection of 1.6% in CY23. In his first comments since assuming office, BoJ Governor supported the central bank's ultra-dovish monetary policy.

- Except Shanghai Comp, global stocks ended higher. FTSE rose the most followed by Nikkei. Markets are eyeing inflation data releases in major economies for cues on future trajectory of rates. In China, CPI came in below expectation. In US, CPI is expected to inch up by 0.2% on MoM basis. CME Fed watch tool shows a probability of 71% for 25bps rate hike. Apart from this, BoJ Governor's dovish comments also impacted market sentiments. Sensex closed flat. It is trading higher today, while other Asian stocks are trading mixed.

Fig 1 – Stock markets

| | 07-04-2023 | 10-04-2023 | % change |
|---------------|------------|------------|----------|
| Dow Jones | 33,485 | 33,587 | 0.3 |
| S & P 500 | 4,105 | 4,109 | 0.1 |
| FTSE | 7,663 | 7,742 | 1.0 |
| Nikkei | 27,518 | 27,634 | 0.4 |
| Hang Seng | 20,275 | 20,331 | 0.3 |
| Shanghai Comp | 3,328 | 3,315 | (0.4) |
| Sensex | 59,833 | 59,847 | 0 |
| Nifty | 17,599 | 17,624 | 0.1 |

Source: Bloomberg, Bank of Baroda Research

- Global currencies depreciated against the dollar. DXY rose by 0.5% supported by expectations of a 25bps rate hike by Fed in May'23. JPY depreciated the most by 1.1% amidst dovish comments from new BoJ Governor. INR depreciated by 0.1% even as oil prices eased. It is trading marginally weaker today, while other Asian currencies are mostly trading stronger.

Fig 2 – Currencies

| | 07-04-2023 | 10-04-2023 | % change |
|-----------------------|------------|------------|----------|
| EUR/USD (1 EUR / USD) | 1.0905 | 1.0859 | (0.4) |
| GBP/USD (1 GBP / USD) | 1.2418 | 1.2382 | (0.3) |
| USD/JPY (JPY / 1 USD) | 132.16 | 133.61 | (1.1) |
| USD/INR (INR / 1 USD) | 81.90 | 81.99 | (0.1) |
| USD/CNY (CNY / 1 USD) | 6.8679 | 6.8847 | (0.2) |

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. US 10Y yield rose by 3bps as market is now pricing a 71% probability for a 25bps rate hike in the next policy. UK, Germany, Japan and China's 10Y yield closed stable, in absence of fresh cues. After today's softening CPI print in China, more stimulus may be forthcoming to spur demand which might impact China's yield in coming days. India's 10Y yield rose by 2bps (7.22%), tracking US yield. It is trading at 7.24% today.

Fig 3 – Bond 10Y yield

| | 07-04-2023 | 10-04-2023 | change in bps |
|---------|------------|------------|---------------|
| US | 3.39 | 3.42 | 3 |
| UK | 3.43 | 3.43 | 0 |
| Germany | 2.18 | 2.18 | 0 |
| Japan | 0.47 | 0.47 | 0 |
| China | 2.85 | 2.85 | 0 |
| India | 7.20 | 7.22 | 2 |

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

Fig 4 – Short term rates

| | 06-04-2023 | 10-04-2023 | change in bps |
|--------------------------|------------|------------|---------------|
| Tbill-91 days | 6.76 | 6.69 | (7) |
| Tbill-182 days | 7.04 | 6.99 | (5) |
| Tbill-364 days | 7.06 | 7.03 | (3) |
| G-Sec 2Y | 6.90 | 6.91 | 2 |
| SONIA int rate benchmark | 4.18 | 4.18 | 0 |
| US SOFR | 4.81 | 4.81 | 0 |

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

| Rs tn | 06-04-2023 | 10-04-2023 | change (Rs tn) |
|-----------------------------------|------------|------------|----------------|
| Net Liquidity (-Surplus/+deficit) | (1.9) | (1.8) | 0.1 |
| Reverse repo | 0 | 1.2 | 1.2 |
| Repo | 0 | 0 | 0 |

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

| | 05-04-2023 | 06-04-2023 | change (US\$ mn/Rs cr) |
|----------------------|------------|------------|------------------------|
| FII (US\$ mn) | (38.4) | 93.1 | 131.5 |
| Debt | (138.4) | 37.7 | 176.1 |
| Equity | 100.1 | 55.4 | (44.7) |
| Mutual funds (Rs cr) | 2,387.4 | 2,825.8 | 438.5 |
| Debt | 2,453.8 | 3,916.4 | 1,462.6 |
| Equity | (66.5) | (1,090.6) | (1,024.1) |

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 3 Apr 2023 and 5 Apr 2023

- Global oil prices dipped by 1.1% to US\$ 84/bbl as hopes of further rate hike by Fed dented demand prospects.

Fig 7 – Commodities

| | 07-04-2023 | 10-04-2023 | % change |
|-------------------------|------------|------------|----------|
| Brent crude (US\$/bbl) | 85.1 | 84.2 | (1.1) |
| Gold (US\$/ Troy Ounce) | 2,007.9 | 1,991.5 | (0.8) |
| Copper (US\$/ MT) | 8,784.8 | 8,806.8 | 0.3 |
| Zinc (US\$/MT) | 2,808.0 | 2,795.5 | (0.4) |
| Aluminium (US\$/MT) | 2,333.5 | 2,333.5 | 0 |

Source: Bloomberg, Bank of Baroda Research



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