

## MORNING MOCHA

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US CPI data on a sequential basis remained sticky rising by 0.4%, in Apr'23 from 0.1% in Mar'23 (est.: 0.4%). Even core rose by 0.4%, same as in Mar'23. However, on YoY basis, CPI came in softer than expected at 4.9% (est.: 5%), while core was in line with estimate at 5.5%. The underlying drivers of inflation (rent and service prices excluding housing and energy) also showed some comfort. Post the inflation data, there have not been much change in money market rates, so it's expected that Fed would go for a pause. Elsewhere, in China, both CPI (0.1%, YoY, est.:0.3%) and PPI (-3.6%, YoY, est.: -3.3%), came in softer than expected. On the other hand, CPI print in Germany remained firm; two of the ECB officials also remained hawkish in their latest statement. In another development, Hong Kong's overnight borrowing rate rose to its highest since 2007, on account of tightening liquidity conditions.

- Stocks in US ended mixed as investors assessed the mixed inflation report. While Dow Jones fell by 0.1%, S&P 500 rose 0.4% led by an upswing in tech stocks. Amongst other indices, Shanghai Comp and Hang Seng fell the most by 1.1% and 0.5% respectively. Sensex rose by 0.3% supported by real estate and oil & gas stocks. It is trading further higher today, in line with its Asian peers.

**Fig 1 – Stock markets**

	09-05-2023	10-05-2023	% change
Dow Jones	33,562	33,531	(0.1)
S & P 500	4,119	4,138	0.4
FTSE	7,764	7,741	(0.3)
Nikkei	29,243	29,122	(0.4)
Hang Seng	19,868	19,762	(0.5)
Shanghai Comp	3,358	3,319	(1.1)
Sensex	61,761	61,940	0.3
Nifty	18,266	18,315	0.3

Source: Bloomberg, Bank of Baroda Research

- Barring CNY and GBP, other global currencies gained against the dollar. DXY fell by 0.1% amidst a drop in US 10Y yield following the US CPI report. GBP ended flat ahead of BoE meeting. INR appreciated by 0.1% supported by FPI inflows and lower oil prices. It is trading further stronger today, while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

09-05-2023	09-05-2023	10-05-2023	% change
EUR/USD (1 EUR / USD)	1.0962	1.0982	0.2
GBP/USD (1 GBP / USD)	1.2621	1.2625	0
USD/JPY (JPY / 1 USD)	135.23	134.34	0.7
USD/INR (INR / 1 USD)	82.05	81.99	0.1
USD/CNY (CNY / 1 USD)	6.9204	6.9304	(0.1)

Source: Bloomberg, Bank of Baroda Research



- Except Japan, global yields closed lower. Some of the underlying drivers of inflation in the US softened, thus providing comfort to yields. US 10Y yield fell the most by 8bps. India's 10Y yield fell a tad by 1bps (7.04%). It is trading lower at 7.02% today, eyeing the domestic inflation data.

**Fig 3 – Bond 10Y yield**

	09-05-2023	10-05-2023	change in bps
US	3.52	3.44	(8)
UK	3.86	3.80	(6)
Germany	2.35	2.29	(6)
Japan	0.43	0.43	0
China	2.74	2.72	(2)
India	7.04	7.04	(1)

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

**Fig 4 – Short term rates**

	09-05-2023	10-05-2023	change in bps
Tbill-91 days	6.91	6.93	2
Tbill-182 days	6.99	7.02	3
Tbill-364 days	7.01	7.01	-
G-Sec 2Y	6.89	6.90	1
India OIS-2M	6.67	6.68	0
India OIS-9M	6.65	6.65	0
SONIA int rate benchmark	4.18	4.18	0
US SOFR	5.06	5.06	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	09-05-2023	10-05-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.3)	(0.6)	(0.3)
Reverse repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	08-05-2023	09-05-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	493.9	129.0	(364.9)
Debt	107.1	(115.0)	(222.0)
Equity	386.8	243.9	(142.9)
Mutual funds (Rs cr)	(9,588.8)	160.9	9,749.7
Debt	(4,135.2)	203.0	4,338.1
Equity	(5,453.7)	(42.1)	5,411.6

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 27 Apr 2023 and 28 Apr 2023

- Crude oil prices fell by 1.3% amidst an increase in US crude oil inventories.

**Fig 7 – Commodities**

	09-05-2023	10-05-2023	% change
Brent crude (US\$/bbl)	77.4	76.4	(1.3)
Gold (US\$/ Troy Ounce)	2,034.6	2,030.1	(0.2)
Copper (US\$/ MT)	8,562.3	8,436.3	(1.5)
Zinc (US\$/MT)	2,664.3	2,609.4	(2.1)
Aluminium (US\$/MT)	2,320.0	2,268.0	(2.2)

Source: Bloomberg, Bank of Baroda Research



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