

MORNING MOCHA

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IMF lowered its global growth projections for CY23 and CY24 to 2.8% (2.9% earlier) and 3% (3.1%) respectively, on the back of tight monetary policy. Global inflation projections have been revised upwards to 7% (+40bps) and 4.9% (+60bps) respectively in CY23 and CY24, led by sticky core inflation. US CPI report, due later today is likely to show that inflation eased to 5.2% in Mar'23 from 6% in Feb'23. However, core inflation is expected to have accelerated to 5.6% compared with 5.5% in Feb'23. Focus will also be on FOMC minutes. While markets expect a 25bps rate hike by Fed in May'23, expectations of rate cuts in H2CY23 have also increased. IMF has also lowered growth forecast for India to 5.9% in FY23 (-20bps) and 6.3% (-50bps) in FY24. Investors await CPI and IIP data due later in the day.

- Global stocks ended mixed. Investors were cautious ahead of US CPI data which is expected to soften. Even Fed Officials (Chicago and New York Fed President) had differing views on central bank's next move. Apart from this, IMF's paring down global growth forecast and caution on banking crisis also impacted market sentiments. Shanghai Comp fell the most (-0.1%), while Nikkei rose the most (+1%). Sensex rose by 0.5%, led by metal and banking stocks. It is trading further higher today, while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	10-04-2023	11-04-2023	% change
Dow Jones	33,587	33,685	0.3
S & P 500	4,109	4,109	0
FTSE	7,742	7,786	0.6
Nikkei	27,634	27,923	1.0
Hang Seng	20,331	20,485	0.8
Shanghai Comp	3,315	3,314	(0.1)
Sensex	59,847	60,158	0.5
Nifty	17,624	17,722	0.6

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. DXY declined by 0.4% ahead of US CPI report. EUR gained by 0.5% even as Eurozone's retail sales dipped. GBP appreciated by 0.3%, against a weaker dollar. INR depreciated by 0.2% as oil prices rose. However it is trading stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	10-04-2023	11-04-2023	% change
EUR/USD (1 EUR / USD)	1.0859	1.0912	0.5
GBP/USD (1 GBP / USD)	1.2382	1.2424	0.3
USD/JPY (JPY / 1 USD)	133.61	133.68	(0.1)
USD/INR (INR / 1 USD)	81.99	82.13	(0.2)
USD/CNY (CNY / 1 USD)	6.8847	6.8860	0

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. Germany and UK's 10Y yield rose the most by 13bps and 11bps respectively, as all eyes are on US CPI data for cues on future trajectory of rates. On the other hand, China's 10Y yield fell by 3bps as markets are expecting a stimulus from PBOC to spur demand. India's 10Y yield fell a tad by 1bps (7.21%), as a softening in Mar'23 CPI print is anticipated. It is trading at 7.22% today.

Fig 3 – Bond 10Y yield

	10-04-2023	11-04-2023	change in bps
US	3.42	3.43	1
UK	3.43	3.54	11
Germany	2.18	2.31	13
Japan	0.47	0.46	(1)
China	2.85	2.82	(3)
India	7.22	7.21	(1)

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

Fig 4 – Short term rates

	10-04-2023	11-04-2023	change in bps
Tbill-91 days	6.69	6.73	4
Tbill-182 days	6.99	6.96	(3)
Tbill-364 days	7.03	7.01	(2)
G-Sec 2Y	6.91	6.91	0
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	10-04-2023	11-04-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.8)	(1.9)	(0.1)
Reverse repo	1.2	1.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	06-04-2023	10-04-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	93.1	262.4	169.3
Debt	37.7	93.5	55.8
Equity	55.4	168.9	113.5
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 rose by 1.7% to US\$ 86/bbl amidst expectation of stimulus measures from China to boost demand.

Fig 7 – Commodities

	10-04-2023	11-04-2023	% change
Brent crude (US\$/bbl)	84.2	85.6	1.7
Gold (US\$/ Troy Ounce)	1,991.5	2,003.6	0.6
Copper (US\$/ MT)	8,806.8	8,851.5	0.5
Zinc (US\$/MT)	2,795.5	2,770.5	(0.9)
Aluminium (US\$/MT)	2,333.5	2,302.5	(1.3)

Source: Bloomberg, Bank of Baroda Research



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