

MORNING MOCHA

12 May 2023

ECONOMIST
Dipanwita Mazumdar

US macro data points to a slowdown. PPI moderated both on sequential (+0.2%, est.:+0.3%) and YoY basis (2.3%, est.: 2.5%). Initial jobless claims (264k against est.: 245k) also rose to its highest since Oct'21, showing some signs of cooling. On the other hand, uncertainty looms over debt crisis and Fed official's comments; with US Treasury Secretary urging Congress to raise the debt limit and Minneapolis Fed Chief speaking of restrictive policy to control inflation. Elsewhere, BoE raised its policy rate by 25bps, while revising both its inflation and growth projections upward. Interestingly, BoE Governor also shrugged off the possibility of recession. ECB Chief also hinted at rate hike cycle might continue in line with the evolving trajectory of inflation. On domestic front, IIP and CPI data holds the key.

- Barring Nikkei (flat), other global indices ended lower as risk sentiment soured. Fears over global growth outlook resurfaced after weak macro data from US (increase in jobless claims) and China (softer than expected CPI and PPI). Dow Jones fell the most by 0.7%, followed by a 0.3% drop in Shanghai Comp. Sensex too fell by 0.1%, as capital goods and metal stocks declined. It is trading further lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	10-05-2023	11-05-2023	% change
Dow Jones	33,531	33,310	(0.7)
S & P 500	4,138	4,131	(0.2)
FTSE	7,741	7,731	(0.1)
Nikkei	29,122	29,127	0.0
Hang Seng	19,762	19,744	(0.1)
Shanghai Comp	3,319	3,310	(0.3)
Sensex	61,940	61,905	(0.1)
Nifty	18,315	18,297	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Global currencies dipped against the dollar. DXY rose by 0.6% as investors reassess the Fed rate path amidst weakening economic momentum and softer price growth. Despite an expected 25bps rate hike by BoE, GBP slipped by 0.9%. INR depreciated by 0.1% following global cues. It is trading further weaker today, in line with other Asian currencies.

Fig 2 – Currencies

09-05-2023	10-05-2023	11-05-2023	% change
EUR/USD (1 EUR / USD)	1.0982	1.0916	(0.6)
GBP/USD (1 GBP / USD)	1.2625	1.2511	(0.9)
USD/JPY (JPY / 1 USD)	134.34	134.53	(0.1)
USD/INR (INR / 1 USD)	81.99	82.09	(0.1)
USD/CNY (CNY / 1 USD)	6.9304	6.9489	(0.3)

Source: Bloomberg, Bank of Baroda Research



- UK's 10Y yield fell by 9bps as ex-BoE policy maker hinted at inflation undershooting BoE forecast might give some policy space. India's 10Y yield fell by 1bps (eyeing today's auction and CPI data). WACR (6.75%) is trading above policy rate (6.5%). India's 10Y yield is trading at the same level (7.02%) today.

Fig 3 – Bond 10Y yield

	10-05-2023	11-05-2023	change in bps
US	3.44	3.38	(6)
UK	3.80	3.71	(9)
Germany	2.29	2.23	(6)
Japan	0.43	0.40	(3)
China	2.72	2.70	(2)
India	7.04	7.02	(1)

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

Fig 4 – Short term rates

	10-05-2023	11-05-2023	change in bps
Tbill-91 days	6.93	6.91	(2)
Tbill-182 days	7.02	7.00	(2)
Tbill-364 days	7.01	6.98	(3)
G-Sec 2Y	6.90	6.89	(1)
India OIS-2M	6.68	6.68	-
India OIS-9M	6.65	6.63	(2)
SONIA int rate benchmark	4.18	4.18	(0)
US SOFR	5.06	5.06	-

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	10-05-2023	11-05-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.6)	(0.5)	(0.1)
Reverse repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	09-05-2023	10-05-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	129.0	378.9	250.0
Debt	(115.0)	99.1	214.0
Equity	243.9	279.9	35.9
Mutual funds (Rs cr)	(379.1)	411.0	790.0
Debt	(524.3)	24.7	548.9
Equity	145.2	386.3	241.1

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 8th and 9th May 2023

- Crude oil prices fell by 1.9% amidst weak economic data from US and China.

Fig 7 – Commodities

	10-05-2023	11-05-2023	% change
Brent crude (US\$/bbl)	76.4	75.0	(1.9)
Gold (US\$/ Troy Ounce)	2,030.1	2,015.1	(0.7)
Copper (US\$/ MT)	8,436.3	8,133.2	(3.6)
Zinc (US\$/MT)	2,609.4	2,532.3	(3.0)
Aluminium (US\$/MT)	2,268.0	2,211.0	(2.5)

Source: Bloomberg, Bank of Baroda Research



Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at



For further details about this publication, please contact:

Chief Economist

Bank of Baroda

chief.economist@bankofbaroda.com