

MORNING MOCHA

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ECONOMIST
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US macro data pointed to continued resilience in the economy. US new home sales rose by 4.1% to a 13-month high, pointing to continued revival in the housing sector. Flash US composite PMI for May'23 rose to more than 1-year high at 54.5 from 53.4 in Apr'23, led by the services sector. Manufacturing activity however, remained muted. However, with insufficient progress in US debt ceiling talks, investor sentiment remained jittery. Elsewhere, flash composite PMIs in both the Eurozone (3-month low at 53.3 vs. 54.1) and UK (2-month low at 53.9 vs. 54.9) signalled a slowdown in economic activity. Reserve Bank of New Zealand raised policy rates by another 25bps to a 14-year high of 5.5%, and signalled that rates are likely to remain elevated till 2024.

- Except India, global indices closed lower. Investors remained cautious tracking comments from former Fed Chair Ben Bernanke and his cautionary call towards inflation. Apart from this, impasse in debt talks, moderation in flash PMI reading in Germany and UK, also impacted sentiments. Shanghai Comp fell the most, followed by Hang Seng and US stocks. Sensex rose by 0.2%, led by oil and gas stocks. It is trading lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	22-05-2023	23-05-2023	% change
Dow Jones	33,287	33,056	(0.7)
S & P 500	4,193	4,146	(1.1)
FTSE	7,771	7,763	(0.1)
Nikkei	31,087	30,958	(0.4)
Hang Seng	19,678	19,431	(1.3)
Shanghai Comp	3,296	3,246	(1.5)
Sensex	61,964	61,982	0
Nifty	18,314	18,348	0.2

Source: Bloomberg, Bank of Baroda Research

- Except INR and JPY which ended flat, other global currencies continued to depreciate against the dollar. DXY rose by 0.3% amidst better than expected macro data (flash PMI and new home sales). EUR fell by 0.4% amidst a dip in flash manufacturing PMI. INR is trading stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	22-05-2023	23-05-2023	% change
EUR/USD (1 EUR / USD)	1.0813	1.0770	(0.4)
GBP/USD (1 GBP / USD)	1.2437	1.2413	(0.2)
USD/JPY (JPY / 1 USD)	138.60	138.59	0
USD/INR (INR / 1 USD)	82.83	82.81	0
USD/CNY (CNY / 1 USD)	7.0320	7.0560	(0.3)

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. US 10Y yield fell by 2bps as manufacturing data showed laggard economic activity. On the other hand, UK's 10Y yield rose by 9bps as public sector borrowing rose in Apr'23 on account of social security and interest payments. India's 10Y yield rose by 3bps, tracking rise in OIS rates. It is trading at 7.02% today.

Fig 3 – Bond 10Y yield

	22-05-2023	23-05-2023	change in bps
US	3.71	3.69	(2)
UK	4.06	4.16	9
Germany	2.46	2.47	1
Japan	0.39	0.40	1
China	2.71	2.70	(1)
India	6.99	7.01	3

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

Fig 4 – Short term rates

	22-05-2023	23-05-2023	change in bps
Tbill-91 days	6.67	6.70	3
Tbill-182 days	6.82	6.85	3
Tbill-364 days	6.83	6.86	3
G-Sec 2Y	6.83	6.78	(6)
India OIS-2M	6.53	6.54	1
India OIS-9M	6.53	6.57	4
SONIA int rate benchmark	4.43	4.43	0
US SOFR	5.05	5.05	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	22-05-2023	23-05-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.5)	(0.4)	0.1
Reverse repo	0.5	0.5	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	19-05-2023	22-05-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	54.1	188.0	133.9
Debt	(36.9)	32.2	69.2
Equity	91.0	155.8	64.7
Mutual funds (Rs cr)	1,718.3	1,562.6	(155.7)
Debt	938.6	1,393.8	455.2
Equity	779.8	168.9	(610.9)

Source: Bloomberg, Bank of Baroda Research

- Global oil prices rose by 1.1%, tracking rise in US gasoline futures.

Fig 7 – Commodities

	22-05-2023	23-05-2023	% change
Brent crude (US\$/bbl)	76.0	76.8	1.1
Gold (US\$/ Troy Ounce)	1,971.9	1,975.2	0.2
Copper (US\$/ MT)	8,061.5	8,035.7	(0.3)
Zinc (US\$/MT)	2,426.0	2,367.5	(2.4)
Aluminium (US\$/MT)	2,263.5	2,227.0	(1.6)

Source: Bloomberg, Bank of Baroda Research



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