

MORNING MOCHA

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Global markets continued to track earnings report and macro data to gauge future course of monetary policy. While market participants expect the Fed to pause after a 25bps rate hike in May'23, expectations of rate cuts in H2CY23 are also increasing. BoJ is likely to maintain its ultra-dovish monetary policy stance even as inflation continues to remain sticky. On the other hand, major European central banks (BoE and ECB) are likely to remain on the monetary policy tightening path, with even a 50bps rate hike by ECB still a possibility.

- Except Hang Seng and Shanghai Comp (lower), stocks elsewhere ended higher. Investors continued to await key earnings report and a slew of macro data which would indicate the future course of rates. Sensex rose by 0.7% supported by gains in banking and real estate stocks. It is trading further higher today, while other Asian indices are trading marginally lower.

Fig 1 – Stock markets

	21-04-2023	24-04-2023	% change
Dow Jones	33,809	33,875	0.2
S & P 500	4,134	4,137	0.1
FTSE	7,914	7,912	0
Nikkei	28,564	28,594	0.1
Hang Seng	20,076	19,960	(0.6)
Shanghai Comp	3,301	3,275	(0.8)
Sensex	59,655	60,056	0.7
Nifty	17,624	17,743	0.7

Source: Bloomberg, Bank of Baroda Research

- Except JPY and INR (lower), other global currencies appreciated. DXY fell by 0.5% as investors have increased bets of rate cuts in H2CY23. EUR gained the most by 0.5% as Germany's Ifo business climate index showed improvement in Apr'23. JPY depreciated as BoJ is widely expected to keep its ultra-loose monetary policy intact. INR depreciated by 0.1% amidst higher oil prices. However, it is trading stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	21-04-2023	24-04-2023	% change
EUR/USD (1 EUR / USD)	1.0986	1.1046	0.5
GBP/USD (1 GBP / USD)	1.2432	1.2486	0.4
USD/JPY (JPY / 1 USD)	134.16	134.24	(0.1)
USD/INR (INR / 1 USD)	82.10	81.91	0.2
USD/CNY (CNY / 1 USD)	6.8914	6.8958	(0.1)

Source: Bloomberg, Bank of Baroda Research

- Global 10Y yields closed mixed. US 10Y yield fell by 8bps as markets expect the Fed to pause its rate hike cycle after delivering a final 25bps rate hike in May'23. Concerns also remain over upcoming debt ceiling deadline. In



Germany, 10Y yield rose by 3bps supported by improvement in business climate index. India's 10Y yield fell further by 6bps to 7.10% - its lowest since Sep'22, amidst increasing expectations of a rate cut by RBI. However, it is trading higher at 7.12% today.

Fig 3 – Bond 10Y yield

	21-04-2023	24-04-2023	change in bps
US	3.57	3.49	(8)
UK	3.76	3.78	2
Germany	2.48	2.51	3
Japan	0.47	0.47	0
China	2.83	2.82	(1)
India	7.16	7.10	(6)

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

Fig 4 – Short term rates

	21-04-2023	24-04-2023	change in bps
Tbill-91 days	6.78	6.80	2
Tbill-182 days	6.92	6.90	(2)
Tbill-364 days	7.00	6.98	(2)
G-Sec 2Y	6.86	6.86	0
India OIS-2M	6.57	6.57	0
India OIS-9M	6.59	6.61	2
SONIA int rate benchmark	4.18	4.18	0
US SOFR	4.80	4.80	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	21-04-2023	24-04-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.5)	(0.5)	0
Reverse repo	0	0.2	0.2
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	20-04-2023	21-04-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	69.6	(187.6)	(257.1)
Debt	187.3	18.6	(168.7)
Equity	(117.8)	(206.2)	(88.4)
Mutual funds (Rs cr)	1,362.4	(1,261.6)	(2,624.0)
Debt	1,818.8	(787.1)	(2,605.9)
Equity	(456.4)	(474.5)	(18.1)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 12 Apr 2023 and 13 Apr 2023

- Global oil prices rose by 1.3% to US\$ 82.7/bbl, amidst hopes that holiday travel in China could boost demand.

Fig 7 – Commodities

	21-04-2023	24-04-2023	% change
Brent crude (US\$/bbl)	81.7	82.7	1.3
Gold (US\$/ Troy Ounce)	1,983.1	1,989.1	0.3
Copper (US\$/ MT)	8,778.5	8,710.0	(0.8)
Zinc (US\$/MT)	2,704.8	2,657.3	(1.8)
Aluminium (US\$/MT)	2,396.5	2,381.0	(0.6)

Source: Bloomberg, Bank of Baroda Research



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