

MORNING MOCHA

26 April 2023

ECONOMIST
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Fears over the global banking crisis were reignited after First Republic Bank reported a sharp decline in its deposits. This coupled with a more than expected drop in US Conference Board consumer confidence index to a 9-month low of 101.3 in Apr'23 (est. 104), dented market sentiments. Increased fears of a recession forced investors to rush into safe-assets which pushed gold, JPY and DXY higher. Oil prices retreated as concerns remained over the demand outlook. On the positive side, US housing market showed signs of recovery with new home sales rising by 9.6% to a 13-month high.

- Except Japan and India, stocks elsewhere declined amidst fresh signs of stress in the global banking sector. Mixed earnings report and drop in US consumer confidence index also dented sentiments. Stocks in US and Hong Kong fell the most. In India, Sensex rose marginally by 0.1% lifted by gains in power and real estate stocks. However, is trading lower today, in line with other Asian indices.

Fig 1 – Stock markets

	24-04-2023	25-04-2023	% change
Dow Jones	33,875	33,531	(1.0)
S & P 500	4,137	4,072	(1.6)
FTSE	7,912	7,891	(0.3)
Nikkei	28,594	28,620	0.1
Hang Seng	19,960	19,618	(1.7)
Shanghai Comp	3,275	3,265	(0.3)
Sensex	60,056	60,131	0.1
Nifty	17,743	17,769	0.1

Source: Bloomberg, Bank of Baroda Research

- Safe-haven demand drove JPY and DXY higher, amidst fresh concerns over the stability of global banking system. While DXY rose 0.5%, JPY rose by 0.4%. On the other hand, EUR shed 0.7% even as ECB board member stated that a 50bps rate hike remains a possibility. INR closed flat. However, it is trading weaker today, in line with other Asian currencies.

Fig 2 – Currencies

	24-04-2023	25-04-2023	% change
EUR/USD (1 EUR / USD)	1.1046	1.0973	(0.7)
GBP/USD (1 GBP / USD)	1.2486	1.2409	(0.6)
USD/JPY (JPY / 1 USD)	134.24	133.76	0.4
USD/INR (INR / 1 USD)	81.91	81.92	0
USD/CNY (CNY / 1 USD)	6.8958	6.9326	(0.5)

Source: Bloomberg, Bank of Baroda Research

- Global 10Y yields closed mixed. While yields in US, UK and Germany edged down, yields in Asia were mostly higher. US 10Y yield fell by 9bps as a sharp drop in US Conference Board consumer confidence index points towards



slowing momentum in the economy. Concerns also remained over the state of the banking system and upcoming debt ceiling deadline. India's 10Y yield rose by 3bps to 7.13% as investors await the weekly auction. However, it is trading lower at 7.11% today.

Fig 3 – Bond 10Y yield

	24-04-2023	25-04-2023	change in bps
US	3.49	3.40	(9)
UK	3.78	3.70	(9)
Germany	2.51	2.38	(12)
Japan	0.47	0.48	1
China	2.82	2.82	0
India	7.10	7.13	3

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

Fig 4 – Short term rates

	24-04-2023	25-04-2023	change in bps
Tbill-91 days	6.80	6.79	(1)
Tbill-182 days	6.90	6.89	(1)
Tbill-364 days	6.98	6.99	1
G-Sec 2Y	6.86	6.90	4
India OIS-2M	6.57	6.58	1
India OIS-9M	6.61	6.57	(4)
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	24-04-2023	25-04-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.5)	(0.6)	(0.1)
Reverse repo	0.2	0.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	21-04-2023	24-04-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(187.6)	(162.8)	24.8
Debt	18.6	(121.9)	(140.5)
Equity	(206.2)	(41.0)	165.2
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

- Crude oil prices fell by 2.4% amidst demand concerns and a stronger dollar.

Fig 7 – Commodities

	24-04-2023	25-04-2023	% change
Brent crude (US\$/bbl)	82.7	80.8	(2.4)
Gold (US\$/ Troy Ounce)	1,989.1	1,997.4	0.4
Copper (US\$/ MT)	8,710.0	8,506.0	(2.3)
Zinc (US\$/MT)	2,657.3	2,592.8	(2.4)
Aluminium (US\$/MT)	2,381.0	2,335.5	(1.9)

Source: Bloomberg, Bank of Baroda Research



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