

MORNING MOCHA

27 April 2023

ECONOMIST
Aditi Gupta

US data showed a mixed picture of the economy. While durable goods orders rose more than expected by 3.2% (est. 0.7%), core capital goods orders (proxy for business spending) declined by 0.4% (est. -0.1%), signalling some slowdown in the economy. However, trade deficit narrowed, supported by pickup in exports. Banking sector stress remained, with shares of First Republic Bank continuing to slide. Against this backdrop, investors await macro data to ascertain the path of future rate hikes. In Europe, CY23 growth for Germany was revised up significantly amidst continued strength in the economy. Industrial profits in China fell further in Jan-Mar'23 by 21.3% versus 22.9% decline in Jan-Feb'23, led by weak global demand.

- Global stocks ended mixed. US stocks extended their decline amidst concerns over the banking sector, despite better than expected results from major tech companies. FTSE fell by 0.5%, weighed down by pharma stocks. In India, Sensex rose by 0.3%, amidst gains in real estate and capital goods stocks. It is trading further higher today, while other Asian indices are trading mixed.

Fig 1 – Stock markets

	25-04-2023	26-04-2023	% change
Dow Jones	33,531	33,302	(0.7)
S & P 500	4,072	4,056	(0.4)
FTSE	7,891	7,853	(0.5)
Nikkei	28,620	28,416	(0.7)
Hang Seng	19,618	19,757	0.7
Shanghai Comp	3,265	3,264	0
Sensex	60,131	60,301	0.3
Nifty	17,769	17,814	0.2

Source: Bloomberg, Bank of Baroda Research

- Global currencies gained against the dollar. DXY fell by 0.4% as US core capital goods orders fell more than expected in Mar'23. EUR rose the most by 0.6% as Germany raised its growth forecast to 0.4% in CY23 versus 0.2% earlier. INR appreciated to a near 4-month high, supported by a weaker dollar and lower oil prices. It is trading further stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	25-04-2023	26-04-2023	% change
EUR/USD (1 EUR / USD)	1.0973	1.1041	0.6
GBP/USD (1 GBP / USD)	1.2409	1.2469	0.5
USD/JPY (JPY / 1 USD)	133.76	133.67	0.1
USD/INR (INR / 1 USD)	81.92	81.77	0.2
USD/CNY (CNY / 1 USD)	6.9326	6.9280	0.1

Source: Bloomberg, Bank of Baroda Research

- Global 10Y yields closed mixed. While yields in US, UK and Germany rose, Asian 10Y yields were broadly lower. US 10Y yield rose by 5bps as investors



await key US data (jobless claims, Q1CY23 GDP and Core PCE) to assess the future course of Fed action. Germany's 10Y yield rose by 1bps as the government lifted its growth forecast for CY23. India's 10Y yield fell by 2bps, amidst a drop in global oil prices. It is trading flat today.

Fig 3 – Bond 10Y yield

	25-04-2023	26-04-2023	change in bps
US	3.40	3.45	5
UK	3.70	3.73	3
Germany	2.38	2.40	1
Japan	0.48	0.47	(1)
China	2.82	2.80	(2)
India	7.13	7.11	(2)

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

Fig 4 – Short term rates

	25-04-2023	26-04-2023	change in bps
Tbill-91 days	6.79	6.81	2
Tbill-182 days	6.89	6.95	6
Tbill-364 days	6.99	7.00	1
G-Sec 2Y	6.90	6.90	(1)
India OIS-2M	6.58	6.59	1
India OIS-9M	6.57	6.60	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	25-04-2023	26-04-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.5)	(0.4)	(0.1)
Reverse repo	0.2	0.2	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	24-04-2023	25-04-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(162.8)	(117.3)	45.5
Debt	(121.9)	(73.1)	48.8
Equity	(41.0)	(44.2)	(3.2)
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 further by 3.8% as a weak demand outlook weighed on prices, despite dip in US crude oil inventories.

Fig 7 – Commodities

	25-04-2023	26-04-2023	% change
Brent crude (US\$/bbl)	80.8	77.7	(3.8)
Gold (US\$/ Troy Ounce)	1,997.4	1,989.0	(0.4)
Copper (US\$/ MT)	8,506.0	8,535.3	0.3
Zinc (US\$/MT)	2,592.8	2,644.3	2.0
Aluminium (US\$/MT)	2,335.5	2,327.0	(0.4)

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