

MORNING MOCHA

03 May 2023

ECONOMIST
Jahnvi

Global indices eye rate decisions by global central Banks. Markets have priced in 87% chance of a 25bps hike by Fed in the upcoming meet. US jobs opening declined more than anticipated, signalling early signs of labour market loosening up. Fed is expected to closely watch JOLTS report, along with factory orders data. Amidst these uncertainties, Gold rose to a 2-week high with DXY slipping as concerns of broader economic slowdown in US economy came to the fore. Separately, RBA surprised by hiking rates by 25bps after a pause, touting 'uncomfortably persistent' service inflation as the prominent reason.

- Ahead of key rate decisions by Central Banks, global indices ended mixed. Concerns over US debt ceiling made the investors wary and dragged the US indices lower, regional banks extended their losses. On the other hand, Sensex rallied to a 4-month high led by sharp gains in metal and power stocks. Though, it is trading lower today amidst news of an aviation firm filing for insolvency. Asian indices slipped in the morning session led by subdued global cues.

Fig 1 – Stock markets

| | 01-05-2023 | 02-05-2023 | % change |
|---------------|------------|------------|----------|
| Dow Jones | 34,052 | 33,685 | (1.1) |
| S & P 500 | 4,168 | 4,120 | (1.2) |
| FTSE | 7,871 | 7,773 | (1.2) |
| Nikkei | 29,123 | 29,158 | 0.1 |
| Hang Seng | 19,895 | 19,934 | 0.2 |
| Shanghai Comp | 3,286 | 3,323 | 1.1 |
| Sensex | 61,112 | 61,355 | 0.4 |
| Nifty | 18,065 | 18,148 | 0.5 |

Source: Bloomberg, Bank of Baroda Research Note: India, UK, Hong Kong and China were shut on 1st May 2023

- Barring GBP and INR (lower), other global currencies ended higher. JPY and EUR gained the most. DXY fell by 0.2%, as investors monitor signs of softening labour market (jobs opening/layoffs) and production (factory orders), ahead of Fed's decision due today. INR fell by 0.1%, but is trading stronger today, in line with other Asian currencies.

Fig 2 – Currencies

| | 01-05-2023 | 02-05-2023 | % change |
|-----------------------|------------|------------|----------|
| EUR/USD (1 EUR / USD) | 1.0976 | 1.0999 | 0.2 |
| GBP/USD (1 GBP / USD) | 1.2496 | 1.2467 | (0.2) |
| USD/JPY (JPY / 1 USD) | 137.50 | 136.55 | 0.7 |
| USD/INR (INR / 1 USD) | 81.83 | 81.89 | (0.1) |
| USD/CNY (CNY / 1 USD) | 6.9225 | 6.9126 | 0.1 |

Source: Bloomberg, Bank of Baroda Research Note: India and China were shut on 1st May 2023

- Except Japan (higher), global yields closed lower. 10Y yield in the US fell the most (-14bps). Softer than expected jobs and production data has raised hopes



of a pause by Fed. Weak credit growth and moderating inflation in Eurozone has also reignited hopes of smaller rate hikes by ECB. Tracking global cues, India's 10Y yield fell by 2bps, and is trading even lower at 7.05% today.

Fig 3 – Bond 10Y yield

| | 01-05-2023 | 02-05-2023 | change in bps |
|---------|------------|------------|---------------|
| US | 3.57 | 3.42 | (14) |
| UK | 3.72 | 3.67 | (5) |
| Germany | 2.31 | 2.26 | (6) |
| Japan | 0.41 | 0.42 | 1 |
| China | 2.79 | 2.78 | (1) |
| India | 7.12 | 7.09 | (2) |

Source: Bloomberg, Bank of Baroda Research, 07.26 GS 2033 security taken for India Note: India and China were shut on 1st May 2023

Fig 4 – Short term rates

| | 01-05-2023 | 02-05-2023 | change in bps |
|--------------------------|------------|------------|---------------|
| Tbill-91 days | 6.78 | 6.92 | 14 |
| Tbill-182 days | 6.95 | 6.98 | 3 |
| Tbill-364 days | 7.00 | 6.99 | (1) |
| G-Sec 2Y | 6.89 | 6.91 | 2 |
| India OIS-2M | 6.59 | 6.59 | 0 |
| India OIS-9M | 6.62 | 6.63 | 1 |
| SONIA int rate benchmark | 4.18 | 4.18 | 0 |
| US SOFR | 4.81 | 4.81 | 0 |

Source: Bloomberg, Bank of Baroda Research Note: India and China were shut on 1st May 2023

Fig 5 – Liquidity

| Rs tn | 28-04-2023 | 02-05-2023 | change (Rs tn) |
|-----------------------------------|------------|------------|----------------|
| Net Liquidity (-Surplus/+deficit) | (0.4) | (0.6) | (0.2) |
| Reverse repo | 0.2 | 0.2 | 0 |
| Repo | 0 | 0 | 0 |

Source: RBI, Bank of Baroda Research Note: India was shut on 1st May 2023

Fig 6 – Capital market flows

| | 27-04-2023 | 28-04-2023 | change (US\$ mn/Rs cr) |
|----------------------|------------|------------|------------------------|
| FII (US\$ mn) | 548.3 | 756.3 | 208.1 |
| Debt | 66.2 | (34.7) | (100.9) |
| Equity | 482.0 | 791.0 | 309.0 |
| Mutual funds (Rs cr) | 2,020.7 | 760.3 | (1,260.4) |
| Debt | 1,574.0 | (479.1) | (2,053.0) |
| Equity | 446.8 | 1,239.4 | 792.6 |

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 20 Apr 2023 and 21 Apr 2023

- Global oil prices fell sharply by 5%, as macro data from US and China indicates weak global demand momentum, and any further rate hikes by central banks may push demand even lower.

Fig 7 – Commodities

| | 01-05-2023 | 02-05-2023 | % change |
|-------------------------|------------|------------|----------|
| Brent crude (US\$/bbl) | 79.3 | 75.3 | (5.0) |
| Gold (US\$/ Troy Ounce) | 1,982.6 | 2,016.7 | 1.7 |
| Copper (US\$/ MT) | 8,577.0 | 8,490.0 | (1.0) |
| Zinc (US\$/MT) | 2,650.5 | 2,611.0 | (1.5) |
| Aluminium (US\$/MT) | 2,356.0 | 2,366.5 | 0.4 |

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

Chief Economist

Bank of Baroda

chief.economist@bankofbaroda.com