

MORNING MOCHA

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ECONOMIST
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Disappointing data reading from US (ISM non-manufacturing and ADP employment) continues to signal slowdown in US economy. Thus raising the possibility of Fed nearing a pause (59% chance) to the aggressive tightening cycle. Elsewhere, Australia's trade balance surprised positively as it expanded to US\$ 9.25 bn in Feb'23, with exports declining at a much slower pace. On the back of uptick in new orders, Chinese services activity accelerated for the 4-month in a row to 57.8 in Mar'23 (55 in Feb'23). Separately, India's services PMI moderated to 57.8 in Mar'23 down from 59.4 (12-year high) in Feb'23. As a result composite PMI eased a tad bit to 58.4 (from 59 in Feb'23). RBI's rate decision will take the centre stage today.

- Global indices closed mixed as uncertainty over global economic outlook resurfaced. Amidst these concerns, S&P 500 was down by 0.2%. Amongst other indices, Nikkei dropped the most and was dragged down by finance & investment and transport stocks. On the other hand, Sensex rallied and climbed up by 1% led by strong gains in cap goods, IT and consumer durable stocks. It is trading lower today as the attention shifts towards RBI's rate decision. Other Asian indices are also trading lower.

Fig 1 – Stock markets

	04-04-2023	05-04-2023	% change
Dow Jones	33,402	33,483	0.2
S & P 500	4,101	4,090	(0.2)
FTSE	7,635	7,663	0.4
Nikkei	28,287	27,813	(1.7)
Hang Seng	20,409	20,275	(0.7)
Shanghai Comp	3,296	3,313	0.5
Sensex	59,106	59,689	1.0
Nifty	17,398	17,557	0.9

Source: Bloomberg, Bank of Baroda Research | Note: Indian market were shut on 4.4.23. Chinese markets were closed on 5.4.23

- Global currencies closed mixed against the dollar, with JPY and INR ending higher and GBP and EUR closing lower. DXY rose by 0.3%, awaiting US non-farm payroll data due tomorrow. INR appreciated by 0.4%, supported by FPI inflows. It is trading further higher today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	04-04-2023	05-04-2023	% change
EUR/USD (1 EUR / USD)	1.0953	1.0904	(0.4)
GBP/USD (1 GBP / USD)	1.2501	1.2462	(0.3)
USD/JPY (JPY / 1 USD)	131.71	131.32	0.3
USD/INR (INR / 1 USD)	82.33	82.00	0.4
USD/CNY (CNY / 1 USD)	6.8777	6.8793	0

Source: Bloomberg, Bank of Baroda Research | Note: Indian market were shut on 4.4.23 Chinese markets were closed on 5.4.23



- Except Japan (higher) and China (closed), other global 10Y yields closed lower. Yields in Germany, India and the US fell the most. Weaker than expected US ADP employment print and ISM non-manufacturing signalled further slowdown in the economy. It has again raised hopes of a pause by the Fed. India's 10Y yield was down by 4bps to 7.27%. It is just a tad higher at 7.28% today, ahead of RBI's rate decision.

Fig 3 – Bond 10Y yield

	04-04-2023	05-04-2023	change in bps
US	3.34	3.31	(3)
UK	3.43	3.43	(1)
Germany	2.25	2.18	(7)
Japan	0.43	0.48	6
China	2.86	2.87	0
India	7.31	7.27	(4)

Source: Bloomberg, Bank of Baroda Research, 07.26 GS 2033 security taken for India. | Note: Indian market were shut on 4.4.23.

Fig 4 – Short term rates

	04-04-2023	05-04-2023	change in bps
Tbill-91 days	6.93	6.90	(3)
Tbill-182 days	7.17	7.16	(1)
Tbill-364 days	7.21	7.19	(2)
G-Sec 2Y	7.06	7.04	(2)
SONIA int rate benchmark	4.18	4.18	0
US SOFR	4.84	4.83	(1)

Source: Bloomberg, Bank of Baroda Research | Note: Indian market were shut on 4.4.23. Chinese markets were closed on 5.4.23

Fig 5 – Liquidity

Rs tn	3-04-2023	5-04-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(2.1)	(2.7)	(0.6)
Reverse repo	0	0	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research | Note: Indian market were shut on 4.4.23. Chinese markets were closed on 5.4.23

Fig 6 – Capital market flows

	31-03-2023	3-04-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	293.5	(2.3)	(295.8)
Debt	5.7	(70.0)	(75.7)
Equity	287.8	67.8	(220.1)
Mutual funds (Rs cr)	1,621.4	1,461.5	(159.9)
Debt	(376.1)	(254.9)	121.2
Equity	1,997.5	1,716.4	(281.1)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 23 Mar 2023 and 24 Mar 2023

- Global oil prices were broadly steady as signs of slowdown in the US and China outweighed the benefit from more than expected dip in US crude inventories.

Fig 7 – Commodities

	04-04-2023	05-04-2023	% change
Brent crude (US\$/bbl)	84.9	85.0	0.1
Gold (US\$/ Troy Ounce)	2,020.4	2,020.7	0
Copper (US\$/ MT)	8,740.3	8,784.8	0.5
Zinc (US\$/MT)	2,852.5	2,808.0	(1.6)
Aluminium (US\$/MT)	2,370.5	2,333.5	(1.6)

Source: Bloomberg, Bank of Baroda Research



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