

MORNING MOCHA

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Latest macro data from the US shows that factory order rose by 0.4% (MoM) in Apr'23 (est.: 0.8%), slightly down from 0.6% in Mar'23. In addition, the ISM services index also eased to 50.3 in May'23 from 51.9 in Apr'23, dragged by decline in new orders, employment. Inventories increased. In Europe as well, services activity is seeing moderation with Markit PMI index declining in case of UK and Eurozone (led by France). Europe is also facing renewed threat from increase in oil prices, following OPEC+ decision to announce voluntary production cuts. This is expected to maintain pressure on ECB and BoE. Fed on the other hand is expected to pause in Jun'23, but there is currently 65% probability of hike in Jul'23.

- Indices in US and UK fell, but they ended higher elsewhere. Dow Jones fell the most, while Nikkei rose to its highest since CY86-CY91 period. Dip in US ISM services index and decline in tech stocks led by Apple dragged Wall Street indices down. Sensex rose by 0.4%, led by auto and cap goods stocks. It is trading further higher today, while other Asian stocks are trading lower.

Fig 1 – Stock markets

| | 2-06-2023 | 5-06-2023 | % change |
|---------------|-----------|-----------|----------|
| Dow Jones | 33,763 | 33,563 | (0.6) |
| S & P 500 | 4,282 | 4,274 | (0.2) |
| FTSE | 7,607 | 7,600 | (0.1) |
| Nikkei | 31,524 | 32,217 | 2.2 |
| Hang Seng | 18,950 | 19,109 | 0.8 |
| Shanghai Comp | 3,230 | 3,232 | 0.1 |
| Sensex | 62,547 | 62,787 | 0.4 |
| Nifty | 18,534 | 18,594 | 0.3 |

Source: Bloomberg, Bank of Baroda Research

- Except EUR (flat) and JPY (higher), other global currencies fell against the dollar. DXY was flat as weaker than expected factory orders and ISM services index raised hopes Fed opting for a pause in Jun'23. INR fell the most by 0.5%, as oil prices inched up. However, it is trading higher today, while other Asian currencies are trading lower.

Fig 2 – Currencies

| | 2-06-2023 | 5-06-2023 | % change |
|-----------------------|-----------|-----------|----------|
| EUR/USD (1 EUR / USD) | 1.0708 | 1.0713 | 0 |
| GBP/USD (1 GBP / USD) | 1.2453 | 1.2438 | (0.1) |
| USD/JPY (JPY / 1 USD) | 139.92 | 139.58 | 0.2 |
| USD/INR (INR / 1 USD) | 82.30 | 82.68 | (0.5) |
| USD/CNY (CNY / 1 USD) | 7.0986 | 7.1023 | (0.1) |

Source: Bloomberg, Bank of Baroda Research

- Barring US (lower) and China (flat), other global yields ended higher. 10Y yields in Germany and UK rose the most. Revived pressure on oil prices can be



worrisome for inflation in Europe. US Fed is largely expected to pause in Jun'23 following disappointing macro data. India's 10Y too rose by 1bps, due to increase in oil prices. It is trading broadly stable today.

Fig 3 – Bond 10Y yield

| | 2-06-2023 | 5-06-2023 | change in bps |
|---------|-----------|-----------|---------------|
| US | 3.69 | 3.68 | (1) |
| UK | 4.16 | 4.21 | 5 |
| Germany | 2.31 | 2.38 | 7 |
| Japan | 0.41 | 0.43 | 2 |
| China | 2.72 | 2.72 | 0 |
| India | 6.98 | 7.00 | 1 |

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

Fig 4 – Short term rates

| | 2-06-2023 | 5-06-2023 | change in bps |
|--------------------------|-----------|-----------|---------------|
| Tbill-91 days | 6.72 | 6.70 | (2) |
| Tbill-182 days | 6.85 | 6.83 | (2) |
| Tbill-364 days | 6.87 | 6.86 | (1) |
| G-Sec 2Y | 6.83 | 6.83 | 0 |
| India OIS-2M | 6.53 | 6.54 | 1 |
| India OIS-9M | 6.58 | 6.60 | 2 |
| SONIA int rate benchmark | 4.43 | 4.43 | 0 |
| US SOFR | 5.08 | 5.07 | (1) |

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

| Rs tn | 2-06-2023 | 5-06-2023 | change (Rs tn) |
|-----------------------------------|-----------|-----------|----------------|
| Net Liquidity (-Surplus/+deficit) | (2.4) | (2.3) | 0.1 |
| Reverse repo | 0 | 0.5 | 0.5 |
| Repo | 0 | 0 | 0 |

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

| | 1-06-2023 | 2-06-2023 | change (US\$ mn/Rs cr) |
|----------------------|-----------|-----------|------------------------|
| FII (US\$ mn) | 325.4 | 117.0 | (208.4) |
| Debt | 3.8 | 38.9 | 35.1 |
| Equity | 321.6 | 78.1 | (243.5) |
| Mutual funds (Rs cr) | (283.2) | 68.5 | 351.7 |
| Debt | (386.6) | 58.5 | 445.1 |
| Equity | 103.4 | 10.0 | (93.5) |

Source: Bloomberg, Bank of Baroda Research | Mutual funds data as of 30 and 31 May 2023

- Global oil prices rose by 0.8% to US\$ 76.7/bbl, following OPEC+ members' decision to opt for voluntary oil production cuts in the remaining part of CY23.

Fig 7 – Commodities

| | 2-06-2023 | 5-06-2023 | % change |
|-------------------------|-----------|-----------|----------|
| Brent crude (US\$/bbl) | 76.1 | 76.7 | 0.8 |
| Gold (US\$/ Troy Ounce) | 1,948.0 | 1,961.9 | 0.7 |
| Copper (US\$/ MT) | 8,233.5 | 8,331.0 | 1.2 |
| Zinc (US\$/MT) | 2,301.0 | 2,280.5 | (0.9) |
| Aluminium (US\$/MT) | 2,263.5 | 2,244.0 | (0.9) |

Source: Bloomberg, Bank of Baroda Research



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