

MORNING MOCHA

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ECONOMIST
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Global markets monitored US payroll data, which remained buoyant with non- farm payroll rising by 253K in Apr'23 from 165K in Mar'23 and against est.: level of 185K. Average hourly earnings on MoM basis has also picked up by 0.5% against 0.3% earlier. Even unemployment rate edged down to 3.4% from 3.5% in Mar'23. This builds up the case of a prolonged pause by Fed instead of a rate cut. Elsewhere, ECB hinted that policy might be restrictive due to stubbornly high inflation. The coming week is crucial in terms of US CPI data and BoE policy decision. For India as well, CPI data is crucial which will hold the key whether 10Y yield will drop below the 7% mark or not.

- Global yields closed mixed. Investors remained cautious tracking US payroll data which showed resilience in the labour market. Thus cases build up for prolonged pause from the Fed rather than a rate cut. Even St Louis Fed President spoke of a wait and watch approach. US stocks rose the most followed by FTSE. Shanghai comp fell by 0.5%, as corporate profit remained lacklustre. Sensex also fell by 1.1%, dragged down by banking stocks. However, it is trading higher today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	04-05-2023	05-05-2023	% change
Dow Jones	33,128	33,674	1.7
S & P 500	4,061	4,136	1.8
FTSE	7,703	7,778	1.0
Nikkei	29,123	29,158	0.1
Hang Seng	19,949	20,049	0.5
Shanghai Comp	3,350	3,335	(0.5)
Sensex	61,749	61,054	(1.1)
Nifty	18,256	18,069	(1.0)

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. DXY fell by 0.2% as sentiments still hover around some policy space on the back of a 'mild recession' as flagged by Fed Chair. GBP appreciated the most by 0.5% ahead of BoE policy where 25bps rate hike is expected. JPY depreciated by 0.4%. INR closed stable. It is trading stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	04-05-2023	05-05-2023	% change
EUR/USD (1 EUR / USD)	1.1012	1.1019	0.1
GBP/USD (1 GBP / USD)	1.2574	1.2636	0.5
USD/JPY (JPY / 1 USD)	134.29	134.80	(0.4)
USD/INR (INR / 1 USD)	81.83	81.80	0
USD/CNY (CNY / 1 USD)	6.9113	6.9094	0

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. UK's 10Y yield rose the most by 13bps as market is pricing in a 25bps rate hike. Germany's 10Y yield also rose by 10bps as ECB President hinted at 'not pausing'. China's 10Y yield fell by 3bps on expectation of stimulus. India's 10Y yield rose a tad by 1bps (7.01%). It is trading at 7.02%.

Fig 3 – Bond 10Y yield

	04-05-2023	05-05-2023	change in bps
US	3.38	3.44	6
UK	3.65	3.78	13
Germany	2.19	2.29	10
Japan	0.42	0.42	0
China	2.76	2.74	(3)
India	7.01	7.01	1

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

Fig 4 – Short term rates

	04-05-2023	05-05-2023	change in bps
Tbill-91 days	6.87	6.86	(1)
Tbill-182 days	6.97	6.97	0
Tbill-364 days	6.98	6.98	0
G-Sec 2Y	6.84	6.85	1
India OIS-2M	6.59	6.61	2
India OIS-9M	6.60	6.61	1
SONIA int rate benchmark	4.18	4.18	0
US SOFR	4.81	5.06	25

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	03-05-2023	04-05-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.7)	(0.5)	0.2
Reverse repo	0.2	0	(0.2)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	02-05-2023	03-05-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	239.3	30.3	(209.0)
Debt	(126.6)	(139.5)	(12.8)
Equity	365.9	169.7	(196.2)
Mutual funds (Rs cr)	(9,588.8)	160.9	9,749.7
Debt	(4,135.2)	203.0	4,338.1
Equity	(5,453.7)	(42.1)	5,411.6

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 27 Apr 2023 and 28 Apr 2023

- Crude oil prices rose by 3.9%, supported by sentiments that accommodative policy space would bolster demand conditions.

Fig 7 – Commodities

	04-05-2023	05-05-2023	% change
Brent crude (US\$/bbl)	72.5	75.3	3.9
Gold (US\$/ Troy Ounce)	2,050.3	2,016.8	(1.6)
Copper (US\$/ MT)	8,474.4	8,560.3	1.0
Zinc (US\$/MT)	2,614.8	2,679.3	2.5
Aluminium (US\$/MT)	2,287.0	2,318.5	1.4

Source: Bloomberg, Bank of Baroda Research



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