

MORNING MOCHA

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ECONOMIST
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Economic activity in major economies picked up pace, supported by a recovery in services sector. Flash services PMI in US, UK, Eurozone and Japan showed a further improvement. On the other hand, manufacturing activity remained weak with flash PMIs in UK, Japan, Eurozone falling deeper in the contractionary territory. Bucking the trend, US manufacturing PMI rose to an 11-month high at 52.8 in Apr'23 versus 50.2 in Mar'23. As a result, markets have solidified their expectations of another 25bps rate hike in May'23.

- Global indices ended mixed. US stocks ended marginally higher supported by upbeat PMI data. Attention now shifts to upcoming earnings report as well as Fed meet. Stocks in Asia broadly closed lower amidst growth concerns. Sensex ended flat. However, it is trading higher today, while other Asian indices are trading lower.

Fig 1 – Stock markets

	20-04-2023	21-04-2023	% change
Dow Jones	33,787	33,809	0.1
S & P 500	4,130	4,134	0.1
FTSE	7,903	7,914	0.1
Nikkei	28,658	28,564	(0.3)
Hang Seng	20,397	20,076	(1.6)
Shanghai Comp	3,367	3,301	(2.0)
Sensex	59,632	59,655	0
Nifty	17,624	17,624	0

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. DXY ended flat. Better than expected PMI data has bolstered views of a 25bps rate hike in May'23. EUR rose by 0.1% as Eurozone's flash services PMI picked up to a 12-month high. INR appreciated by 0.1%. It is trading further stronger today in line with other Asian currencies.

Fig 2 – Currencies

	20-04-2023	21-04-2023	% change
EUR/USD (1 EUR / USD)	1.0970	1.0986	0.1
GBP/USD (1 GBP / USD)	1.2443	1.2432	(0.1)
USD/JPY (JPY / 1 USD)	134.24	134.16	0.1
USD/INR (INR / 1 USD)	82.16	82.10	0.1
USD/CNY (CNY / 1 USD)	6.8742	6.8914	(0.2)

Source: Bloomberg, Bank of Baroda Research

- Except UK and India (lower), other global yields inched up. 10Y yield in US and Germany rose the most by 4bps each amidst heightened expectations of further rate hikes by both Fed and ECB. India's 10Y yield fell sharply by 4bps amidst strong demand in the weekly auction. It is trading further lower at 7.14% today.



Fig 3 – Bond 10Y yield

	20-04-2023	21-04-2023	change in bps
US	3.53	3.57	4
UK	3.77	3.76	(1)
Germany	2.45	2.48	4
Japan	0.47	0.47	0
China	2.83	2.83	0
India	7.20	7.16	(4)

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

Fig 4 – Short term rates

	20-04-2023	21-04-2023	change in bps
Tbill-91 days	6.77	6.78	1
Tbill-182 days	6.92	6.92	0
Tbill-364 days	6.98	7.00	2
G-Sec 2Y	6.89	6.86	(3)
India OIS-2M	6.57	6.57	0
India OIS-9M	6.61	6.59	(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	20-04-2023	21-04-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(1.4)	(0.5)	0.9
Reverse repo	1.2	0	(1.2)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	19-04-2023	20-04-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	18.9	69.6	50.6
Debt	(1.7)	187.3	189.0
Equity	20.6	(117.8)	(138.4)
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

- Global oil prices closed marginally higher supported by pickup in services activity in major economies. On a weekly basis, prices were lower by 5.4%.

Fig 7 – Commodities

	20-04-2023	21-04-2023	% change
Brent crude (US\$/bbl)	81.1	81.7	0.7
Gold (US\$/ Troy Ounce)	2,004.8	1,983.1	(1.1)
Copper (US\$/ MT)	8,865.3	8,778.5	(1.0)
Zinc (US\$/MT)	2,757.5	2,704.8	(1.9)
Aluminium (US\$/MT)	2,421.0	2,396.5	(1.0)

Source: Bloomberg, Bank of Baroda Research



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