

## MORNING MOCHA

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ECONOMIST  
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Robust data from US has lent support to still nascent probability of a rate hike in Jun'23. Jobless claims rose by only 4,000 to 229,000 (est. 245,000), suggesting that labour market strength remains intact. GDP growth for Q1CY23 was revised upwards to 1.3% vs. 1.1% estimated earlier. Reports also suggested possible progress in US debt talks, with hopes that a deal might be reached soon. However, with the deadline approaching fast, investor sentiments remain jittery. In Germany, GDP growth declined by 0.3% in Q1 (earlier estimate 0%), following a drop of 0.5% in Q4CY22, thus pushing it into a technical recession. In Asia, inflation in Tokyo (proxy for Japan) eased but remained above BoJ's target of 2%.

- Global indices closed mixed. Investors monitored progress on debt talks. Apart from this, relatively buoyant macro print in the US (GDP and lower jobless claims) also impacted sentiments. In Germany, the final estimate of Q1GDP showed negative growth, while in UK retail sales number disappointed. Hang Seng fell the most, while S&P 500 inched up. Sensex rose by 0.2%, led by real estate stocks. It is trading higher today, while Asian stocks are trading mixed.

**Fig 1 – Stock markets**

	24-05-2023	25-05-2023	% change
Dow Jones	32,800	32,765	(0.1)
S & P 500	4,115	4,151	0.9
FTSE	7,627	7,571	(0.7)
Nikkei	30,683	30,801	0.4
Hang Seng	19,116	18,747	(1.9)
Shanghai Comp	3,205	3,201	(0.1)
Sensex	61,774	61,873	0.2
Nifty	18,285	18,321	0.2

Source: Bloomberg, Bank of Baroda Research

- Global currencies declined as safe-haven demand and strong macro data from the US (less than expected increase in jobless claims and upward revision in Q1CY23 GDP), pushed DXY higher. EUR fell by 0.2% as German economy slipped into recession. INR depreciated by 0.1%, following global cues. However, it is trading stronger today, in line with other Asian currencies.

**Fig 2 – Currencies**

	24-05-2023	25-05-2023	% change
EUR/USD (1 EUR / USD)	1.0750	1.0725	(0.2)
GBP/USD (1 GBP / USD)	1.2365	1.2321	(0.4)
USD/JPY (JPY / 1 USD)	139.47	140.06	(0.4)
USD/INR (INR / 1 USD)	82.67	82.74	(0.1)
USD/CNY (CNY / 1 USD)	7.0609	7.0792	(0.3)

Source: Bloomberg, Bank of Baroda Research



- Except China (stable), global yields closed higher. UK's 10Y yield rose the most by 16bps as BoE's official Jonathan Haskel spoke of sticky inflation and hinted that further increase in policy rate cannot be ruled out. US 10Y yield also rose by 5bps supported by better macro print. India's 10Y yield rose by 2bps. It is trading at 7.02% today, ahead of auction results.

**Fig 3 – Bond 10Y yield**

	24-05-2023	25-05-2023	change in bps
US	3.74	3.82	8
UK	4.21	4.37	16
Germany	2.47	2.52	5
Japan	0.41	0.43	1
China	2.71	2.71	0
India	6.99	7.01	2

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

**Fig 4 – Short term rates**

	24-05-2023	25-05-2023	change in bps
Tbill-91 days	6.74	6.74	0
Tbill-182 days	6.89	6.85	(4)
Tbill-364 days	6.87	6.88	1
G-Sec 2Y	6.83	6.78	(6)
India OIS-2M	6.55	6.55	0
India OIS-9M	6.56	6.57	1
SONIA int rate benchmark	4.43	4.43	0
US SOFR	5.05	5.05	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	24-05-2023	25-05-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.5)	(0.8)	(0.3)
Reverse repo	0.5	0.5	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	23-05-2023	24-05-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	54.1	215.6	161.5
Debt	15.5	34.5	19.0
Equity	38.6	181.1	142.5
Mutual funds (Rs cr)	1,718.3	1,562.6	(155.7)
Debt	938.6	1,393.8	455.2
Equity	779.8	168.9	(610.9)

Source: Bloomberg, Bank of Baroda Research | Mutual funds data as of 19 and 22 May 2023

- Oil prices fell amidst conflicting signals from OPEC+ and Russia on output cut.

**Fig 7 – Commodities**

	24-05-2023	25-05-2023	% change
Brent crude (US\$/bbl)	78.4	76.3	(2.7)
Gold (US\$/ Troy Ounce)	1,957.2	1,941.4	(0.8)
Copper (US\$/ MT)	7,851.8	7,914.8	0.8
Zinc (US\$/MT)	2,305.3	2,259.0	(2.0)
Aluminium (US\$/MT)	2,205.0	2,231.0	1.2

Source: Bloomberg, Bank of Baroda Research



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