

## MORNING MOCHA

10 February 2023

ECONOMIST

Jahnvi

Global markets reacted to increase in US initial jobless claims for the week ending 4 Feb 2023 by 13k to 196k, from 183k in the previous week. While this could signal a slowdown in the economy, investors still await data on US inflation (due next week), to gauge Fed's future trajectory. So far, Fed officials have maintained their stance that rates will be kept elevated to bring inflation substantially down. Separately, in China, CPI inched up (2.1% in Jan'23 versus 1.8% in Dec'22), owing to seasonal factors (Lunar New Year pushed prices up for air tickets, and recreational activities). However PPI continues to decline (-0.8% versus -0.7%), indicating that domestic demand is yet to gain momentum.

- Barring markets in US and Japan (lower), other global indices ended higher. S&P 500 fell the most followed by Dow Jones. Investor sentiments were impacted by layoff report from some more tech giants and rise in initial jobless claims. Markets in Europe were lifted by positive earnings reports. Sensex also climbed higher driven by gains in tech and capital goods stocks. However, it is trading lower today while other Asian stocks are trading mixed.

**Fig 1 – Stock markets**

	8-02-2023	9-02-2023	% change
Dow Jones	33,949	33,700	(0.7)
S & P 500	4,118	4,082	(0.9)
FTSE	7,885	7,911	0.3
Nikkei	27,606	27,584	(0.1)
Hang Seng	21,284	21,624	1.6
Shanghai Comp	3,232	3,270	1.2
Sensex	60,664	60,806	0.2
Nifty	17,872	17,893	0.1

Source: Bloomberg, Bank of Baroda Research

- Barring INR and JPY, other global currencies are trading higher. DXY declined by 0.2% ahead of the inflation data due next week and concerns around growth slowdown. US jobless claims rose and added to the concerns. JPY weakened amidst reports of Japanese government's plans of announcing new BoJ governor nominee. INR ended flat. It is trading weaker today while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	8-02-2023	9-02-2023	% change
EUR/USD (1 EUR / USD)	1.0712	1.0740	0.3
GBP/USD (1 GBP / USD)	1.2072	1.2121	0.4
USD/JPY (JPY / 1 USD)	131.40	131.59	(0.1)
USD/INR (INR / 1 USD)	82.49	82.52	0
USD/CNY (CNY / 1 USD)	6.7921	6.7864	0.1

Source: Bloomberg, Bank of Baroda Research



- Global yields ended mixed. Uncertainty over the trajectory of Fed rate hike path kept the investors on the edge. Inverted yield curve steepened and added to the concerns. US 10Y yields climbed higher by 5bps. On the other hand, Germany's 10Y yield slipped by 6bps after inflation data came in cooler than anticipated (9.2% against est.:10%). India's 10Y yield ended flat and is trading a tad higher at 7.35% today.

**Fig 3 – Bond 10Y yield**

	8-02-2023	9-02-2023	change in bps
US	3.61	3.66	5
UK	3.31	3.29	(2)
Germany	2.36	2.30	(6)
Japan	0.50	0.50	0
China	2.90	2.90	0
India	7.34	7.34	0

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	8-02-2023	9-02-2023	change in bps
Tbill-91 days	6.65	6.66	1
Tbill-182 days	6.98	6.99	1
Tbill-364 days	7.03	7.03	0
G-Sec 2Y	7.02	7.06	4
SONIA int rate benchmark	3.93	3.93	0
US SOFR	4.55	4.55	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	8-02-2023	9-02-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.1	0.1	0
Reverse repo	0.4	0.3	(0.1)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	7-08-2023	8-02-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(366.5)	(206.1)	160.4
Debt	(99.6)	(150.9)	(51.2)
Equity	(266.9)	(55.2)	211.7
Mutual funds (Rs cr)	2,946.4	857.4	(2,089.0)
Debt	1,748.4	(343.1)	(2,091.5)
Equity	1,198.0	1,200.5	2.5

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 3 Feb 2023 and 6 Feb 2023

- Global oil prices fell by 0.7%, as US inventories swell and there emerge risks of global slowdown (US jobless claims, layoffs by tech giants).

**Fig 7 – Commodities**

	8-02-2023	9-02-2023	% change
Brent crude (US\$/bbl)	85.1	84.5	(0.7)
Gold (US\$/ Troy Ounce)	1,875.5	1,861.8	(0.7)
Copper (US\$/ MT)	8,863.8	8,952.2	1.0
Zinc (US\$/MT)	3,167.0	3,152.0	(0.5)
Aluminium (US\$/MT)	2,481.0	2,499.0	0.7

Source: Bloomberg, Bank of Baroda Research



## Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at



For further details about this publication, please contact:

**Chief Economist**

Bank of Baroda

[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)