

MORNING MOCHA

10 March 2023

ECONOMIST
Aditi Gupta

US jobless claims rose at a faster pace of 21,000 to a 2-month high of 211,000 (est. 195,000) in the week ended 4 Mar 2023. Despite a higher than anticipated increase, the underlying trend still suggests a strong labour market. Investors now await US non-farm payrolls data which is expected to show 225,000 additions, versus 517,000 additions in Jan'23. A higher than expected increase will further strengthen the case for a 50bps rate hike by the Fed in Mar'23 (60% probability as per CME FedWatch Tool). Separately, BoJ maintained its ultra-dovish stance in its latest, and Governor Kuroda's last policy meet. In India, investors await the IIP data (today) and CPI data due on Monday.

- Barring Nikkei, stock markets elsewhere declined. Stocks in the US fell, amidst a sharp sell-off in banking stocks. S&P 500 and Dow Jones declined by 1.8% and 1.7% respectively. Investors also remained jittery ahead of crucial US jobs report due today. Following weak global cues, Sensex too closed lower by 0.9%. Auto and consumer durables stocks declined the most. It is trading further lower today, in line with other Asian stocks.

Fig 1 – Stock markets

	08-03-2023	09-03-2023	% change
Dow Jones	32,798	32,255	(1.7)
S & P 500	3,992	3,918	(1.8)
FTSE	7,930	7,880	(0.6)
Nikkei	28,444	28,623	0.6
Hang Seng	20,051	19,926	(0.6)
Shanghai Comp	3,283	3,276	(0.2)
Sensex	60,348	59,806	(0.9)
Nifty	17,754	17,590	(0.9)

Source: Bloomberg, Bank of Baroda Research

- Except CNY (lower), other global currencies appreciated against the dollar. DXY fell by 0.3% after US jobless claims rose more than expected. Fall in US10Y yield also weighed on DXY. JPY appreciated the most by 0.9% despite weaker than anticipated growth data. INR too edged up by 0.1% as oil prices eased. However, in line with other Asian currencies, it is trading weaker today.

Fig 2 – Currencies

	08-03-2023	09-03-2023	% change
EUR/USD (1 EUR / USD)	1.0545	1.0581	0.3
GBP/USD (1 GBP / USD)	1.1845	1.1925	0.7
USD/JPY (JPY / 1 USD)	137.36	136.15	0.9
USD/INR (INR / 1 USD)	82.06	81.98	0.1
USD/CNY (CNY / 1 USD)	6.9592	6.9651	(0.1)

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. 10Y yield in US declined by 9bps as investors await US payroll data. An increase in US jobless claims and a sharp sell-off in US banking stocks also impacted sentiments. 10Y yield in UK edged up by 3bps amidst expectations of higher rates. India's 10Y yield fell by 1bps, led by a decline in oil prices. Markets also await the CPI data due on Monday. It is trading much lower at 7.39% today, following global cues.

Fig 3 – Bond 10Y yield

	08-03-2023	09-03-2023	change in bps
US	3.99	3.90	(9)
UK	3.77	3.80	3
Germany	2.65	2.64	0
Japan	0.51	0.51	0
China	2.90	2.88	(1)
India	7.43	7.43	(1)

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

Fig 4 – Short term rates

	08-03-2023	09-03-2023	change in bps
Tbill-91 days	6.95	6.92	(3)
Tbill-182 days	7.35	7.35	0
Tbill-364 days	7.46	7.44	(2)
G-Sec 2Y	7.38	7.38	0
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	08-03-2023	09-03-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.3)	(0.5)	(0.2)
Reverse repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	06-03-2023	08-03-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	113.1	329.2	216.1
Debt	7.2	(152.1)	(159.3)
Equity	105.9	481.3	375.4
Mutual funds (Rs cr)	2,812.4	(405.2)	(3,217.6)
Debt	(767.8)	(844.0)	(76.2)
Equity	3,580.2	438.8	(3,141.4)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 28 Feb 2023 and 1 Mar 2023

- Global oil prices fell further by 1.3%, as markets expect that rate hikes by global central banks will hurt demand.

Fig 7 – Commodities

	08-03-2023	09-03-2023	% change
Brent crude (US\$/bbl)	82.7	81.6	(1.3)
Gold (US\$/ Troy Ounce)	1,813.8	1,831.0	0.9
Copper (US\$/ MT)	8,886.0	8,832.3	(0.6)
Zinc (US\$/MT)	3,004.0	2,994.5	(0.3)
Aluminium (US\$/MT)	2,354.0	2,328.0	(1.1)

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