

MORNING MOCHA

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Bolstering the case of a global recession, World Bank slashed its global GDP forecast for 2023 to 1.7% from 3% earlier. This is on the back of synchronised monetary policy tightening, Russia-Ukraine war and worsening financial conditions. For India as well, GDP growth is expected at 6.9% in FY23 (7.4% earlier) and 6.6% in FY24 (7% earlier). Global headwinds and uncertainty is likely to weigh on investment and exports. Elsewhere, CPI inflation in Tokyo surged to a 40-year high at 4%. Even in Australia, inflation jumped back to 7.3% in Nov'22, after dropping to 6.9% in Oct'22. Retail sales rose by 1.4% in Nov'22 from 0.4%. In South Korea, unemployment rate rose to an 11-month high at 3.3% in Dec'22 from 2.9%.

- Global indices ended mixed. Markets assessed Fed Chair's speech, which again hinted at price stability being the main concern. This was also reiterated by Fed Governor Michelle Bowman. Stocks in US closed higher, led by technology stocks. Barring Nikkei, other Asian stocks closed lower amidst weakening macro data (higher CPI in Tokyo, worsening current account balance in S. Korea). Sensex ended in red, led by banking stocks. It is trading even lower today, while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	09-01-2023	10-01-2023	% change
Dow Jones	33,518	33,704	0.6
S & P 500	3,892	3,919	0.7
FTSE	7,725	7,694	(0.4)
Nikkei	25,974	26,176	0.8
Hang Seng	21,388	21,331	(0.3)
Shanghai Comp	3,176	3,170	(0.2)
Sensex	60,747	60,115	(1.0)
Nifty	18,101	17,914	(1.0)

Source: Bloomberg, Bank of Baroda Research | Note: Markets in Japan were closed on 9 Jan 2023

- Global currencies were mixed. After falling for two-straight sessions, DXY rose by 0.2% ahead of US CPI data. JPY depreciated by 0.3% as Tokyo's inflation surged more than expected to 4% in Dec'22, putting pressure on BoJ. INR strengthened by 0.7% to a near 1-month high. It is trading further stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	09-01-2023	10-01-2023	% change
EUR/USD (1 EUR / USD)	1.0730	1.0733	0
GBP/USD (1 GBP / USD)	1.2184	1.2154	(0.2)
USD/JPY (JPY / 1 USD)	131.88	132.26	(0.3)
USD/INR (INR / 1 USD)	82.36	81.79	0.7
USD/CNY (CNY / 1 USD)	6.7719	6.7795	(0.1)

Source: Bloomberg, Bank of Baroda Research



- Except India, global 10Y yields closed higher as Fed officials hinted at price stability being the primary concern. Thus, US 10Y yield rose the most by 9bps. Even in Germany, 10Y yield firmed up by 8bps as ECB Economic Bulletin highlighted strong wage growth in the next few quarters, which might pose risk to inflation. India's 10Y yield fell by 3bps (7.31%), tracking fall in 5Y OIS rate. It is trading at 7.32% today.

Fig 3 – Bond 10Y yield

	09-01-2023	10-01-2023	change in bps
US	3.53	3.62	9
UK	3.53	3.56	3
Germany	2.23	2.31	8
Japan	0.51	0.51	0
China	2.84	2.87	3
India	7.34	7.31	(3)

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	09-01-2023	10-01-2023	change in bps
Tbill-91 days	6.34	6.31	(3)
Tbill-182 days	6.75	6.75	0
Tbill-364 days	6.88	6.87	(1)
G-Sec 2Y	6.92	6.88	(4)
SONIA int rate benchmark	3.43	3.43	0
US SOFR	4.31	4.31	0

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	09-01-2023	10-01-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.7)	(0.8)	(0.1)
Reverse repo	0.3	0.3	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	06-01-2023	09-01-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(339.7)	68.2	407.8
Debt	(15.8)	61.2	77.0
Equity	(323.8)	7.0	330.8
Mutual funds (Rs cr)	(124.3)	855.5	979.8
Debt	(196.7)	326.5	523.3
Equity	72.4	529.0	456.6

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data is of 2 Jan 2023 and 5 Jan 2023

- Global oil prices rose by 0.6% to US\$ 80/bbl, as EIA estimated global petroleum consumption to rise to a record high in 2024.

Fig 7 – Commodities

	09-01-2023	10-01-2023	% change
Brent crude (US\$/bbl)	79.7	80.1	0.6
Gold (US\$/ Troy Ounce)	1,871.8	1,877.0	0.3
Copper (US\$/ MT)	8,833.0	8,890.5	0.7
Zinc (US\$/MT)	3,223.3	3,174.1	(1.5)
Aluminium (US\$/MT)	2,438.5	2,463.5	1.0

Source: Bloomberg, Bank of Baroda Research



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