

## MORNING MOCHA

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In an effort to revive confidence on the banking system, US regulators announced several measures. 1) Fed announced a new 'Bank Term Funding Program' (BTFP) which will offer 1-year loans to banks, to ease liquidity pressure. Further, Department of Treasury will make available up to US\$ 25bn from the Exchange Stabilization Fund as a backstop for the BTFP 2) Fed has also announced that depository institutions may avail liquidity against a wide range of collateral through the discount window. Elsewhere, US payroll addition strengthened rising by 311K against expectation of 225K in Feb'23. However, average hourly earnings on MoM basis slightly softened rising by 0.2% against expectation of 0.3%. Elsewhere in China, policy continuity prevailed and liquidity support is expected in the near term.

- Global stocks witnessed a sharp sell-off, with most major indices shedding more than 1%. Concerns surrounding the health of the US banking sector amidst the SVB crisis and its spill over, kept investors jittery. Sensex too ended in red, declining by 1.1%. Banking and capital goods stocks fell the most. However, it is trading higher today, while other Asian stocks are trading mixed.

**Fig 1 – Stock markets**

	9-03-2023	10-03-2023	% change
Dow Jones	32,255	31,910	(1.1)
S & P 500	3,918	3,862	(1.4)
FTSE	7,880	7,748	(1.7)
Nikkei	28,623	28,144	(1.7)
Hang Seng	19,926	19,320	(3.0)
Shanghai Comp	3,276	3,230	(1.4)
Sensex	59,806	59,135	(1.1)
Nifty	17,590	17,413	(1.0)

Source: Bloomberg, Bank of Baroda Research

- Except INR (weaker), other global currencies appreciated against the dollar. DXY fell by 0.7% after US jobs report. Rise in unemployment rate and slower wage growth have lowered the expectations of a 50bps rate hike by Fed. GBP gained the most by 0.9% as UK's GDP rose by 0.3% in Jan'23 versus estimated 0.1% increase. INR depreciated by 0.1% amidst a rise in oil prices. However, it is trading stronger today while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	9-03-2023	10-03-2023	% change
EUR/USD (1 EUR / USD)	1.0581	1.0643	0.6
GBP/USD (1 GBP / USD)	1.1925	1.2030	0.9
USD/JPY (JPY / 1 USD)	136.15	135.03	0.8
USD/INR (INR / 1 USD)	81.98	82.05	(0.1)
USD/CNY (CNY / 1 USD)	6.9651	6.9172	0.7

Source: Bloomberg, Bank of Baroda Research



- Except China (stable), global yields fell sharply. Markets kept assessing the repercussion of fallout of SVB on the financial system. US 10Y yield fell the most by 20bps, followed by UK (-16bps) and Germany (-14bps). A lower than expected rise in average hourly earnings also indicated that Fed rate hike may not be as aggressive as expected earlier. India's 10Y yield closed a tad lower by 1bps (7.42%). It is trading lower at 7.37% today, tracking fall in global yields.

**Fig 3 – Bond 10Y yield**

	9-03-2023	10-03-2023	change in bps
US	3.90	3.70	(20)
UK	3.80	3.64	(16)
Germany	2.64	2.51	(14)
Japan	0.51	0.41	(10)
China	2.88	2.88	0
India	7.43	7.42	(1)

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

**Fig 4 – Short term rates**

	9-03-2023	10-03-2023	change in bps
Tbill-91 days	6.92	6.85	(7)
Tbill-182 days	7.35	7.30	(5)
Tbill-364 days	7.44	7.38	(6)
G-Sec 2Y	7.38	7.37	(1)
SONIA int rate benchmark	3.93	3.93	0
US SOFR	4.55	4.55	-

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	9-03-2023	10-03-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.5)	0	0.5
Reverse repo	0.1	0	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	8-03-2023	9-03-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	329.2	(198.2)	(527.4)
Debt	(152.1)	(142.9)	9.3
Equity	481.3	(55.4)	(536.7)
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 rose by 1.5% after US jobs data suggested that the Fed may opt for a smaller rate hike in Mar'23. A fall in DXY also supported prices.

**Fig 7 – Commodities**

	9-03-2023	10-03-2023	% change
Brent crude (US\$/bbl)	81.6	82.8	1.5
Gold (US\$/ Troy Ounce)	1,831.0	1,868.3	2.0
Copper (US\$/ MT)	8,832.3	8,847.0	0.2
Zinc (US\$/MT)	2,994.5	2,954.8	(1.3)
Aluminium (US\$/MT)	2,328.0	2,313.0	(0.6)

Source: Bloomberg, Bank of Baroda Research



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