

MORNING MOCHA

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ECONOMIST
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Global markets await US CPI data for Jan'23, which is expected to come in at 6.2% down from 6.5% in Dec'22. Apart from this, macro data in Europe and Japan will also remain in focus this week. Japan's Q4CY22 annualised QoQ GDP came in much lower than expected at 0.6% (est.: +2%) following -0.8% decline in Q3. Slower than expected rebound was owing to dip in capex (-0.5% in Q4). This is likely to delay BoJ's decision to normalise its ultra-loose monetary policy till fiscal year 2024. Prolonged deviation in US Fed and BoJ's policy is impacting Yen. On the domestic front, CPI surprised negatively, led by food inflation. RBI is likely to gauge CPI trend of Q4FY23 before taking the next rate decision call.

- Global indices closed mixed. Investors remain cautious ahead of US CPI print. Further, slew of events such as Japan government's nomination of BoJ Chief, Fed Governor Michelle Bowman's comments on higher interest rate to control inflation, also impacted market sentiments. While stocks in the US rose the most, in Japan it fell sharply. Sensex fell by 0.4%, dragged by real estate and tech stocks. It is trading higher today, while Asian stocks are trading mixed.

Fig 1 – Stock markets

	10-02-2023	13-02-2023	% change
Dow Jones	33,869	34,246	1.1
S & P 500	4,090	4,137	1.1
FTSE	7,882	7,948	0.8
Nikkei	27,671	27,427	(0.9)
Hang Seng	21,190	21,164	(0.1)
Shanghai Comp	3,261	3,284	0.7
Sensex	60,683	60,432	(0.4)
Nifty	17,857	17,771	(0.5)

Source: Bloomberg, Bank of Baroda Research

- While Asian currencies ended weaker against the dollar, EUR and GBP made gains. DXY fell by 0.3% as investors await US CPI data to gauge Fed's future course of action. Dollar rose against JPY and neared 6-week high as BoJ's decision end to its ultra-loose policy seems delayed and will leave deviation between US Fed and BoJ for a longer period of time. INR fell by 0.3% as oil prices inch up. However, it is higher today, in line with other Asian currencies.

Fig 2 – Currencies

	10-02-2023	13-02-2023	% change
EUR/USD (1 EUR / USD)	1.0678	1.0723	0.4
GBP/USD (1 GBP / USD)	1.2062	1.2139	0.6
USD/JPY (JPY / 1 USD)	131.36	132.42	(0.8)
USD/INR (INR / 1 USD)	82.50	82.73	(0.3)
USD/CNY (CNY / 1 USD)	6.8145	6.8183	(0.1)

Source: Bloomberg, Bank of Baroda Research



- Global 10Y yields closed mixed. Market is looking for cues on terminal Fed fund rate, which is contingent on the upcoming CPI print. Apart from this, soft landing in economies such as Germany, UK also impacted investor sentiments. While US 10Y yield fell by 3bps, those in UK and Japan inched up a tad by 1bps. India's 10Y yield closed flat at 7.37%. It is trading higher at 7.39% today, tracking a higher than expected CPI data in Jan'23.

Fig 3 – Bond 10Y yield

	10-02-2023	13-02-2023	change in bps
US	3.73	3.70	(3)
UK	3.40	3.40	1
Germany	2.36	2.37	0
Japan	0.50	0.51	1
China	2.89	2.90	0
India	7.36	7.37	0

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	10-02-2023	13-02-2023	change in bps
Tbill-91 days	6.67	6.71	4
Tbill-182 days	6.97	7.00	3
Tbill-364 days	7.04	7.08	4
G-Sec 2Y	7.08	7.12	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	10-02-2023	13-02-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.2	0.5	0.3
Reverse repo	0	0.4	0.4
Repo	0	0.5	0.5

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	9-02-2023	10-02-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(148.6)	241.1	389.7
Debt	(152.5)	32.1	184.6
Equity	4.0	209.0	205.0
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 rose further by 0.3%, as supply concerns persist owing to Russia's decision to cut oil output. However, demand fears also linger.

Fig 7 – Commodities

	10-02-2023	13-02-2023	% change
Brent crude (US\$/bbl)	86.4	86.6	0.3
Gold (US\$/ Troy Ounce)	1,865.6	1,853.5	(0.6)
Copper (US\$/ MT)	8,828.8	8,916.5	1.0
Zinc (US\$/MT)	3,059.8	3,127.0	2.2
Aluminium (US\$/MT)	2,440.5	2,412.5	(1.1)

Source: Bloomberg, Bank of Baroda Research



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