

## MORNING MOCHA

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ECONOMIST  
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US CPI data for Jan'23 came in at 6.4% versus est.: 6.2% and 6.5% in Dec'22. In MoM terms too CPI was up (+0.5%) compared with 0.1% increase in Dec'22. Significant increase in clothing, medical care commodities, and transport services pushed inflation up on sequential basis. This has revived fears of elevated rates in the US for a longer duration of time. As a result, US equities fell/ended flat and yields inched up. Separately, second estimates of Eurozone Q4CY22 GDP confirmed that economic activity rose by 0.1%, thus avoiding recession. To keep global oil prices in check, US has announced it will release more oil (26mn barrels) from its strategic petroleum reserves to ease supply concerns. Thus, oil prices were down by 1.2%.

- Global indices closed mixed. Investors reacted to hotter than expected US CPI print for Jan'23. Dow Jones (-0.5%) and Hang Seng (-0.2%) fell the most, while markets in India, UK and Japan gained. In Europe, earning results and indication of Eurozone avoiding a recession has been supportive for equities. Sensex rose by 1%, led by tech, banking and metal stocks. However, it is trading lower today, in line with other Asian stocks.

**Fig 1 – Stock markets**

	13-02-2023	14-02-2023	% change
Dow Jones	34,246	34,089	(0.5)
S & P 500	4,137	4,136	0
FTSE	7,948	7,954	0.1
Nikkei	27,427	27,603	0.6
Hang Seng	21,164	21,114	(0.2)
Shanghai Comp	3,284	3,293	0.3
Sensex	60,432	61,032	1.0
Nifty	17,771	17,930	0.9

Source: Bloomberg, Bank of Baroda Research

- While Asian currencies ended weaker/flat against the dollar, EUR and GBP appreciated. DXY fell by 0.1% following the release of US CPI data, and despite increase in 10Y yields. Although, US\$ continues to trade near 6-week high against JPY, driven by expectation of prolonged deviation between US Fed and BoJ. INR ended flat. However, it is trading lower today, in line with other Asian currencies.

**Fig 2 – Currencies**

	13-02-2023	14-02-2023	% change
EUR/USD (1 EUR / USD)	1.0723	1.0738	0.1
GBP/USD (1 GBP / USD)	1.2139	1.2173	0.3
USD/JPY (JPY / 1 USD)	132.42	133.16	(0.6)
USD/INR (INR / 1 USD)	82.73	82.76	0
USD/CNY (CNY / 1 USD)	6.8183	6.8279	(0.1)

Source: Bloomberg, Bank of Baroda Research



- Except Japan, China and India (stable), global yields closed higher. UK's 10Y yield rose the most by 12bps as labour market conditions remained tighter. Even in Germany 10Y yield inched up by 7bps as WPI data showed pick up on a sequential basis in Jan'23. In US, 10Y yield rose by 4bps tracking 0.5% sequential increase in its CPI print. India's 10Y yield closed flat at 7.37% tracking moderation in WPI print. It is trading lower at 7.35% today.

**Fig 3 – Bond 10Y yield**

	13-02-2023	14-02-2023	change in bps
US	3.70	3.74	4
UK	3.40	3.52	12
Germany	2.37	2.44	7
Japan	0.51	0.51	0
China	2.90	2.89	0
India	7.37	7.37	0

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	13-02-2023	14-02-2023	change in bps
Tbill-91 days	6.71	6.66	(5)
Tbill-182 days	7.00	7.00	0
Tbill-364 days	7.08	7.12	4
G-Sec 2Y	7.12	7.16	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	13-02-2023	14-02-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.5	0.6	0.1
Reverse repo	0.4	0	(0.4)
Repo	0.5	0.5	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	10-02-2023	13-02-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	241.1	272.0	30.9
Debt	32.1	91.0	58.9
Equity	209.0	181.0	(28.0)
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 fell by 1.2% following US government's announcement that it will release more crude oil from its strategic petroleum reserves.

**Fig 7 – Commodities**

	13-02-2023	14-02-2023	% change
Brent crude (US\$/bbl)	86.6	85.6	(1.2)
Gold (US\$/ Troy Ounce)	1,853.5	1,854.3	0
Copper (US\$/ MT)	8,916.5	8,921.0	0.1
Zinc (US\$/MT)	3,127.0	3,108.3	(0.6)
Aluminium (US\$/MT)	2,412.5	2,408.0	(0.2)

Source: Bloomberg, Bank of Baroda Research



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