

## MORNING MOCHA

15 March 2023

ECONOMIST  
**Jahnvi Prabhakar**

In line with market expectations, US CPI rose by 0.4% (MoM) in Feb'23, slightly down from 0.5% in Jan'23. However, core CPI still remains a concern as it rose by 0.5% from 0.4%. This has increased the probability of 25bps rate hike in Fed's upcoming meeting. Equities and bond yields in US and Europe gained as investor sentiment improved. China's data for Jan-Feb'23 showed that while industrial production data missed analysts' estimates, retail sales and FAI posted strong gains. Industrial production was up by 2.4% (est.: 2.6%) versus 1.3% in Dec'22, while retail sales rose in line with expectations (+3.5%) following 1.8% decline in Dec'22. FAI rose by 5.5% (est.: 4.5%) in CYTD23, up from 5.1% last year. However, real estate investment continues to decline (-5.7%), albeit at a slower pace (-10.1% last year).

- Global indices ended mixed. Hang Seng (2.3%) dropped the most followed by losses in Nikkei. US and UK indices rebounded after US inflation cooled off and fears of banking crisis faded. Moderation in inflation will now prompt Fed to go in for a smaller rate hike (25bps) than was anticipated. Domestic market ended the day in red led by sharp losses in IT and power stocks. However, it is trading higher today driven by positive global cues and in line with other Asian stocks.

**Fig 1 – Stock markets**

	13-03-2023	14-03-2023	% change
Dow Jones	31,819	32,155	1.1
S & P 500	3,856	3,919	1.6
FTSE	7,549	7,637	1.2
Nikkei	27,833	27,222	(2.2)
Hang Seng	19,696	19,248	(2.3)
Shanghai Comp	3,269	3,245	(0.7)
Sensex	58,238	57,900	(0.6)
Nifty	17,154	17,043	(0.6)

Source: Bloomberg, Bank of Baroda Research

- Except EUR (flat), other global currencies depreciated against the dollar. DXY remained steady after calls of rate cuts were dialled down as fears of banking crisis eased. US inflation moderated with focus shifting towards Fed's possibly hiking rate by 25bps. INR depreciated by 0.4%. It is trading stronger today while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	13-03-2023	14-03-2023	% change
EUR/USD (1 EUR / USD)	1.0731	1.0733	0
GBP/USD (1 GBP / USD)	1.2183	1.2158	(0.2)
USD/JPY (JPY / 1 USD)	133.21	134.22	(0.8)
USD/INR (INR / 1 USD)	82.13	82.49	(0.4)
USD/CNY (CNY / 1 USD)	6.8483	6.8735	(0.4)

Source: Bloomberg, Bank of Baroda Research



- Global yields closed higher in US and Europe while they fell/remained flat in Asia. Following slowdown in US' latest CPI print for Feb'23, investors are now expecting only a 25bps rate hike. While the yield curve still remains steep, the gap has narrowed to its lowest since Jan'23. Risk of contagion from small bank failures in the US also seems limited, which helped soothe investor sentiment. India's 10Y yield rose by 1bps and it is trading flat today.

**Fig 3 – Bond 10Y yield**

	13-03-2023	14-03-2023	change in bps
US	3.57	3.69	12
UK	3.37	3.49	12
Germany	2.26	2.42	16
Japan	0.35	0.27	(7)
China	2.88	2.88	0
India	7.36	7.37	1

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

**Fig 4 – Short term rates**

	13-03-2023	14-03-2023	change in bps
Tbill-91 days	6.89	6.85	(4)
Tbill-182 days	7.20	7.22	2
Tbill-364 days	7.29	7.25	(4)
G-Sec 2Y	7.25	7.19	(6)
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	13-03-2023	14-03-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0	(0.3)	(0.3)
Reverse repo	0	0	0
Repo	0.8	0.8	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	10-03-2023	13-03-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(304.7)	405.9	710.6
Debt	(89.6)	38.6	128.2
Equity	(215.1)	367.3	582.4
Mutual funds (Rs cr)	1,029.5	203.1	(826.4)
Debt	1,105.4	(148.5)	(1,253.8)
Equity	(75.9)	351.6	427.5

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 9 Mar 2023 and 10 Mar 2023

- Global oil prices declined by 4.1% to US\$ 77.5/bbl amidst uncertainties in the global demand. Gold prices slipped after treasury yield inched up.

**Fig 7 – Commodities**

	13-03-2023	14-03-2023	% change
Brent crude (US\$/bbl)	80.8	77.5	(4.1)
Gold (US\$/ Troy Ounce)	1,913.7	1,904.0	(0.5)
Copper (US\$/ MT)	8,918.3	8,809.0	(1.2)
Zinc (US\$/MT)	2,969.0	2,925.0	(1.5)
Aluminium (US\$/MT)	2,333.5	2,352.5	0.8

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](mailto:chief.economist@bankofbaroda.com)