

## MORNING MOCHA

17 January 2023

ECONOMIST  
**Jahnavi**

Global leaders at the ongoing WEF at Davos shared concerns that likelihood of global recession remains imminent in CY23, offsetting optimism of China reopening. China's GDP has slowed significantly in CY22 compared with last year due to curbs imposed to curtail Covid-19. However, for Q4CY22 it has performed better than expectation (2.9% against estimate of 1.8%). Even industrial production (1.3% in Dec'22 against estimate of 0.2%), retail sales (-1.8% in Dec'22 against -8.6% estimate) and fixed asset investment (5.1% for CY22 against estimate of 5%) came in better than anticipated. Elsewhere, markets will closely monitor BoJ's decision to mark a shift in their policy tomorrow.

- Global equity indices closed mixed as investors kept a watchful eye on inflation and growth outlook ahead of the key data releases and the ongoing earnings season. Amongst other indices, Shanghai Comp gained (by 1%) the most followed by FTSE (0.2%). Sensex ended in red and was dragged down by losses in metal and auto stocks. However, it is trading higher today, while other Asian stocks are trading mixed.

**Fig 1 – Stock markets**

	13-01-2023	16-01-2023	% change
Dow Jones	34,190	34,303	0.3
S & P 500	3,983	3,999	0.4
FTSE	7,844	7,860	0.2
Nikkei	26,120	25,822	(1.1)
Hang Seng	21,739	21,747	0
Shanghai Comp	3,195	3,228	1.0
Sensex	60,261	60,093	(0.3)
Nifty	17,957	17,895	(0.3)

Source: Bloomberg, Bank of Baroda Research Note: US markets were closed on 16.01.2023

- Global currencies edged down. JPY depreciated by 0.6% even as investors expect BoJ to make changes to its ultra-dovish monetary policy. CNY too fell by 0.6%. INR depreciated by 0.3%, tracking weakness in CNY. Lower oil prices helped offset some losses. It is trading further weaker today, in line with other Asian currencies.

**Fig 2 – Currencies**

	13-01-2023	16-01-2023	% change
EUR/USD (1 EUR / USD)	1.0830	1.0822	(0.1)
GBP/USD (1 GBP / USD)	1.2227	1.2194	(0.3)
USD/JPY (JPY / 1 USD)	127.87	128.58	(0.6)
USD/INR (INR / 1 USD)	81.34	81.62	(0.3)
USD/CNY (CNY / 1 USD)	6.7010	6.7382	(0.6)

Source: Bloomberg, Bank of Baroda Research Note: US markets were closed on 16.01.2023



- Global 10Y yields closed higher amidst hopes that the Fed may not be as aggressive as expected, amidst easing inflation in the US. Japan's 10Y yield rose by 2bps and stayed above the BoJ's target, increasing expectations of a tweak in its yield control curve in its policy. India's 10Y yield rose by 2bps to 7.33% as investors remain jittery ahead of the Budget announcement. It is trading at 7.34% today.

**Fig 3 – Bond 10Y yield**

	13-01-2023	16-01-2023	change in bps
US	3.44	3.50	6
UK	3.37	3.38	2
Germany	2.17	2.18	1
Japan	0.51	0.53	2
China	2.90	2.92	2
India	7.30	7.33	3

Source: Bloomberg, Bank of Baroda Research Note: US markets were closed on 16.01.2023

**Fig 4 – Short term rates**

	13-01-2023	16-01-2023	change in bps
Tbill-91 days	6.37	6.38	1
Tbill-182 days	6.76	6.70	(6)
Tbill-364 days	6.88	6.86	(2)
G-Sec 2Y	6.87	6.88	1
SONIA int rate benchmark	3.43	3.43	0
US SOFR	4.30	4.30	0

Source: Bloomberg, Bank of Baroda Research Note: US markets were closed on 16.01.2023

**Fig 5 – Liquidity**

Rs tn	13-01-2023	16-01-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.8)	(0.4)	(0.4)
Reverse repo	0	0.5	0.5
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	12-01-2023	13-01-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(185.3)	(312.4)	(127.2)
Debt	(20.5)	146.8	167.3
Equity	(164.8)	(459.2)	(294.4)
Mutual funds (Rs cr)	840.5	855.5	15.0
Debt	640.0	326.5	(313.5)
Equity	200.5	529.0	328.5

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data is of 4 Jan 2023 and 5 Jan 2023

- Global oil prices dipped marginally by 1% on the back of ample supply. OPEC and IEA monthly reports will offer guidance on demand and supply outlook.

**Fig 7 – Commodities**

	13-01-2023	16-01-2023	% change
Brent crude (US\$/bbl)	85.3	84.5	(1.0)
Gold (US\$/ Troy Ounce)	1,920.2	1,916.0	(0.2)
Copper (US\$/ MT)	9,168.6	9,088.2	(0.9)
Zinc (US\$/MT)	3,348.3	3,323.5	(0.7)
Aluminium (US\$/MT)	2,595.0	2,621.0	1.0

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)