

MORNING MOCHA

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ECONOMIST
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Global financial sector recovered in the last trading session as 11 private US banks including big banks like JP Morgan, Citigroup, Bank of America, pledged to provide US\$ 30bn support to regional US Bank, First Republic. Credit Suisse also availed the emergency credit line (US\$ 54bn) to strengthen its liquidity. Despite the volatile situation, ECB raised rates by 50bps, as it feels banks in the Eurozone are well covered and that higher rates will benefit profit margins of banks. It also reaffirmed its commitment to lower inflation and provide any liquidity support to European banks if needed. In the US, economy remains resilient so far as jobless claims fell (-20k) to 192k (est.: 205k) as of week ending 11 March 2023. Housing starts (single and multi-family) also rose by 9.8% (MoM) on hopes of lower mortgage rates.

- Barring markets in Asia (ex-India), other global indices ended higher. Markets in US and UK rose the most. Investors reacted to the news of big US banks pledging US\$ 30bn for First Republic Bank to strengthen its liquidity. Tech stocks also rallied higher as investors are hoping for a dovish outlook from Fed next week. Domestic markets too ended in green, led by oil & gas, power and realty stocks. It is trading further higher today, in line with other Asian stocks.

Fig 1 – Stock markets

	15-03-2023	16-03-2023	% change
Dow Jones	31,875	32,247	1.2
S & P 500	3,892	3,960	1.8
FTSE	7,344	7,410	0.9
Nikkei	27,229	27,011	(0.8)
Hang Seng	19,540	19,204	(1.7)
Shanghai Comp	3,263	3,227	(1.1)
Sensex	57,556	57,635	0.1
Nifty	16,972	16,986	0.1

Source: Bloomberg, Bank of Baroda Research

- Except JPY and INR (lower), other global currencies rose against the dollar. DXY fell by 0.2% as risk appetite improved, following rescuing of the First Republic Bank. ECB's rate hike also supported Euro. INR fell by 0.2%, and news reports indicate that it refrained from breaching 83/\$ mark owing to RBI's intervention. It is trading higher today, in with other Asian currencies.

Fig 2 – Currencies

	15-03-2023	16-03-2023	% change
EUR/USD (1 EUR / USD)	1.0577	1.0610	0.3
GBP/USD (1 GBP / USD)	1.2057	1.2109	0.4
USD/JPY (JPY / 1 USD)	133.42	133.74	(0.2)
USD/INR (INR / 1 USD)	82.60	82.74	(0.2)
USD/CNY (CNY / 1 USD)	6.9063	6.8980	0.1

Source: Bloomberg, Bank of Baroda Research



- Apart from yields in Asia, 10Y yields in US and Europe closed higher. Yields rose the most in Germany and US, as both Credit Suisse and First Republic Bank got liquidity support. Macro data from US also shows that economic strength continues (lower jobless claims and rise in housing starts). A 50bps hike by ECB also led to jump in treasury yields. India's 10Y yield fell by 1bps. It is trading higher at 7.36% today, following global cues.

Fig 3 – Bond 10Y yield

	15-03-2023	16-03-2023	change in bps
US	3.45	3.58	12
UK	3.32	3.43	10
Germany	2.13	2.29	16
Japan	0.33	0.32	(1)
China	2.88	2.87	0
India	7.34	7.34	(1)

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

Fig 4 – Short term rates

	15-03-2023	16-03-2023	change in bps
Tbill-91 days	6.84	6.76	(8)
Tbill-182 days	7.24	7.23	(1)
Tbill-364 days	7.29	7.25	(4)
G-Sec 2Y	7.20	7.19	(1)
SONIA int rate benchmark	3.93	3.93	0
US SOFR	4.55	4.58	3

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	15-03-2023	16-03-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.5	1.1	0.6
Reverse repo	0	0	0
Repo	0.8	0.8	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	14-03-2023	15-03-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(173.6)	(136.4)	37.2
Debt	94.6	14.7	(79.9)
Equity	(268.2)	(151.1)	117.1
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 rose by 1.4%, led by recovery in financial markets and news of meeting of ministers of Russia and Saudi Arabia to discuss OPEC+'s efforts.

Fig 7 – Commodities

	15-03-2023	16-03-2023	% change
Brent crude (US\$/bbl)	73.7	74.7	1.4
Gold (US\$/ Troy Ounce)	1,918.6	1,919.5	0
Copper (US\$/ MT)	8,480.8	8,508.8	0.3
Zinc (US\$/MT)	2,876.0	2,871.0	(0.2)
Aluminium (US\$/MT)	2,277.0	2,267.5	(0.4)

Source: Bloomberg, Bank of Baroda Research



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