

## MORNING MOCHA

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ECONOMIST  
**Jahnvi**

Signs of slowdown in US economy became more visible with dip in housing starts (1.38 mn, a 5-month low from 1.4 mn in Nov'22) and permits data, following disappointing retail sales and industrial production. On other hand, US labor market remains tight with weekly jobless claims falling below expectation. In the 'Beige Book' Fed noted that firms remain hesitant to lay off employees even as demand for goods and services have slowed down. Separately, China kept its benchmark rate unchanged at 3.65% (1-year LPR) and 5-year LPR at 4.3%. The rates were last revised in Aug'22. RBI in its monthly bulletin pointed that 'macroeconomic stability is getting bolstered with inflation brought under tolerance band'. In Japan inflation climbed to its highest level (4% in Dec'22) since 1981

- Disappointing global data pulled most of the global indices lower. Rate hike concerns by Fed also kept investors worried. Amongst other indices, Nikkei (1.4%) dropped the most followed by losses in FTSE (1.1%) and Dow Jones (0.8%). Sensex (0.3%) too ended in red led by subdued global cues. It was further dragged down by power and consumer durable stocks. It is trading flat today, while other Asian indices are trading higher.

**Fig 1 – Stock markets**

	18-01-2023	19-01-2023	% change
Dow Jones	33,297	33,045	(0.8)
S & P 500	3,929	3,899	(0.8)
FTSE	7,831	7,747	(1.1)
Nikkei	26,791	26,405	(1.4)
Hang Seng	21,678	21,651	(0.1)
Shanghai Comp	3,224	3,240	0.5
Sensex	61,046	60,858	(0.3)
Nifty	18,165	18,108	(0.3)

Source: Bloomberg, Bank of Baroda Research

- Except INR and CNY, other global currencies gained against the dollar. DXY fell by 0.3% as US housing sector continued to show signs of weakness (building permits and housing starts). EUR gained by 0.4% amidst hawkish comments from ECB President. INR depreciated by 0.1% as oil prices inched up. However, it is trading stronger today, while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	18-01-2023	19-01-2023	% change
EUR/USD (1 EUR / USD)	1.0794	1.0833	0.4
GBP/USD (1 GBP / USD)	1.2348	1.2391	0.3
USD/JPY (JPY / 1 USD)	128.90	128.43	0.4
USD/INR (INR / 1 USD)	81.25	81.36	(0.1)
USD/CNY (CNY / 1 USD)	6.7578	6.7755	(0.3)

Source: Bloomberg, Bank of Baroda Research



- Global 10Y yields closed mixed. US 10Y yield rose by 2bps as Fed officials batted for higher rates. Strong labour market data (fall in jobless claims) also supported investor sentiments. Germany's 10Y yield also inched up by 4bps as ECB President stated that Central Bank is likely to continue raising rates. In India, 10Y yield fell marginally by 1bps. It is trading higher at 7.33% today ahead of Rs 28,000 crore weekly G-sec auction.

**Fig 3 – Bond 10Y yield**

	18-01-2023	19-01-2023	change in bps
US	3.37	3.39	2
UK	3.31	3.28	(4)
Germany	2.02	2.07	4
Japan	0.46	0.44	(2)
China	2.91	2.91	0
India	7.32	7.31	(1)

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	18-01-2023	19-01-2023	change in bps
Tbill-91 days	6.41	6.39	(2)
Tbill-182 days	6.80	6.79	(1)
Tbill-364 days	6.90	6.89	(1)
G-Sec 2Y	6.91	6.82	(9)
SONIA int rate benchmark	3.43	3.43	0
US SOFR	4.31	4.30	(1)

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	18-01-2023	19-01-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.7)	(0.7)	0
Reverse repo	0.5	0.5	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	17-01-2023	18-01-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	183.5	22.1	(161.4)
Debt	17.4	15.4	(1.9)
Equity	166.2	6.7	(159.5)
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

- Led by optimism around China and improved demand outlook, global oil prices climbed up by 1.4% to US\$ 86.2/bbl.

**Fig 7 – Commodities**

	18-01-2023	19-01-2023	% change
Brent crude (US\$/bbl)	85.0	86.2	1.4
Gold (US\$/ Troy Ounce)	1,904.1	1,932.2	1.5
Copper (US\$/ MT)	9,326.0	9,301.0	(0.3)
Zinc (US\$/MT)	3,423.0	3,474.0	1.5
Aluminium (US\$/MT)	2,638.0	2,587.5	(1.9)

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

**Chief Economist**

Bank of Baroda

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