

MORNING MOCHA

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ECONOMIST
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Global market on Tuesday woke up to a slower day with the flash manufacturing PMI reading of Japan coming in at 44.9 against 47.2 in January. Both new orders and production dropped. Australia composite PMI inched up (49.2 against 48.5), but remained in the contraction zone for the 5th straight month. Reserve Bank of Australia in its minutes reiterated its commitment of more interest rates hike. Investors will be carefully monitoring Fed minutes for any guidance of rate hikes. Recent economic data from US has increased likelihood of Fed to continue on the hawkish path. The terminal rates are also likely to peak at 5.28% than 5.1% as was initially anticipated. Likelihood of rate cuts this year have also somewhat faded.

- Global indices ended mixed as investors looked for more cues and turned their focus towards Fed minutes and release of US PMI print. Shanghai Comp advanced by 2.1% led by strong gains in property stocks and post its Central Bank's announcement of keeping lending rates unchanged. Hang Seng (1.3%) too edged up by 0.8%. However, domestic market started the week on a sombre note led by losses in banking and oil and gas stocks. However, it is trading higher today, while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	17-02-2023	20-02-2023	% change
Dow Jones	33,697	33,827	0.4
S & P 500	4,090	4,079	(0.3)
FTSE	8,004	8,014	0.1
Nikkei	27,513	27,532	0.1
Hang Seng	20,720	20,887	0.8
Shanghai Comp	3,224	3,290	2.1
Sensex	61,003	60,692	(0.5)
Nifty	17,944	17,845	(0.6)

Source: Bloomberg, Bank of Baroda Research | Note: US markets were shut on 20.2.23

- Barring EUR and JPY (lower), other major currencies closed higher/flat against the dollar. Hawkish comments from ECB officials dragged EUR lower. Further, indication of Fed continuing to pursue rate hikes in its upcoming meetings, retained pressure on Yen. INR rose by 0.1%, despite increase in oil prices. However, it is trading lower today, in line with other Asian currencies.

Fig 2 – Currencies

	17-02-2023	20-02-2023	% change
EUR/USD (1 EUR / USD)	1.0695	1.0686	(0.1)
GBP/USD (1 GBP / USD)	1.2037	1.2041	0
USD/JPY (JPY / 1 USD)	134.15	134.25	(0.1)
USD/INR (INR / 1 USD)	82.83	82.73	0.1
USD/CNY (CNY / 1 USD)	6.8686	6.8552	0.2

Source: Bloomberg, Bank of Baroda Research | Note: US markets were shut on 20.2.23



- Global 10Y yields closed mixed. While yields in UK (-4bps) and India (-2bps) fell, in Germany and China they edged higher. Investors in Eurozone are pricing in more rate hikes in the coming months, as signalled in statements of some ECB officials. India's 10Y yield fell, tracking movement in US yields at the end of last week. Awaiting fresh cues, it is trading slightly higher at 7.37% today.

Fig 3 – Bond 10Y yield

	17-02-2023	20-02-2023	change in bps
US	3.86	3.81	(5)
UK	3.52	3.47	(4)
Germany	2.44	2.46	2
Japan	0.51	0.51	0
China	2.89	2.92	3
India	7.37	7.35	(2)

Source: Bloomberg, Bank of Baroda Research | Note: US markets were shut on 20.2.23

Fig 4 – Short term rates

	17-02-2023	20-02-2023	change in bps
Tbill-91 days	6.77	6.78	1
Tbill-182 days	7.09	7.09	0
Tbill-364 days	7.15	7.16	1
G-Sec 2Y	7.21	7.19	(2)
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	17-02-2023	20-02-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.2	0.4	0.2
Reverse repo	0	0	0
Repo	0.5	0.5	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	16-02-2023	17-02-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	254.7	(34.1)	(288.8)
Debt	9.1	55.8	46.7
Equity	245.6	(89.9)	(335.5)
Mutual funds (Rs cr)	(235.0)	(21.3)	213.7
Debt	(352.2)	(68.8)	283.5
Equity	117.3	47.5	(69.8)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 14 Feb 2023 and 15 Feb 2023

- Global oil prices edged up by 1.3% to US\$ 84.1/bbl, amidst stronger demand outlook.

Fig 7 – Commodities

	17-02-2023	20-02-2023	% change
Brent crude (US\$/bbl)	83.0	84.1	1.3
Gold (US\$/ Troy Ounce)	1,842.4	1,841.4	(0.1)
Copper (US\$/ MT)	8,950.3	9,115.5	1.8
Zinc (US\$/MT)	3,085.8	3,164.5	2.6
Aluminium (US\$/MT)	2,387.5	2,457.5	2.9

Source: Bloomberg, Bank of Baroda Research



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