

MORNING MOCHA

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ECONOMIST
Sonal Badhan

Financial markets were relieved as UBS announced its acquisition of Credit Suisse, and global central banks (Fed, BoE, BoJ, ECB, Bank of Canada and Swiss National Bank) announced a joint liquidity operation. As a part of this, “to improve the effectiveness of existing swap lines” central banks will now hold 7-day maturity operations on a daily basis compared with weekly basis earlier. According to Fed, this is expected to go on at least till end of Apr’23. Investors now await Fed’s policy rate decision due tomorrow. In Asia, Taiwan’s export orders fell for the 6th consecutive month in Feb’23 by -18.3% (est.: -15% YoY) as weakness in global demand, led by China, continued. Even in Mar’23, the decline is expected to worsen further (-20% to -23%).

- Barring US and UK markets, other global indices ended mixed with the focus shifting towards Fed’s meet. Investors monitored developments around Credit Suisse. Banking stocks in UK reversed their losses and ended in green. US indices too followed suit as investors gained more confidence in the financial system. On the other hand, Sensex ended in red led by losses in metal and real estate stocks. Though, it is trading higher today in line with other Asian stocks.

Fig 1 – Stock markets

| | 17-03-2023 | 20-03-2023 | % change |
|---------------|------------|------------|----------|
| Dow Jones | 31,862 | 32,245 | 1.2 |
| S & P 500 | 3,917 | 3,952 | 0.9 |
| FTSE | 7,335 | 7,404 | 0.9 |
| Nikkei | 27,334 | 26,946 | (1.4) |
| Hang Seng | 19,519 | 19,001 | (2.7) |
| Shanghai Comp | 3,251 | 3,235 | (0.5) |
| Sensex | 57,990 | 57,629 | (0.6) |
| Nifty | 17,100 | 16,988 | (0.7) |

Source: Bloomberg, Bank of Baroda Research

- Except INR, other global currencies climbed higher against the dollar. DXY declined by 0.4% ahead of Fed’s rate decision with 26% chance of a pause and 74% chance of a 25bps hike. JPY continued to edge upwards over demand of safe haven. INR depreciated by 0.1% as oil prices moved up. It is trading higher today while other Asian currencies are trading mixed.

Fig 2 – Currencies

| | 17-03-2023 | 20-03-2023 | % change |
|-----------------------|------------|------------|----------|
| EUR/USD (1 EUR / USD) | 1.0670 | 1.0721 | 0.5 |
| GBP/USD (1 GBP / USD) | 1.2173 | 1.2278 | 0.9 |
| USD/JPY (JPY / 1 USD) | 131.85 | 131.32 | 0.4 |
| USD/INR (INR / 1 USD) | 82.55 | 82.64 | (0.1) |
| USD/CNY (CNY / 1 USD) | 6.8867 | 6.8770 | 0.1 |

Source: Bloomberg, Bank of Baroda Research



- Except yields in Asia (lower), other global yields rose. 10Y yields in US and UK gained the most. Investor sentiment was supported by the news of rescue deal of Credit Suisse and announcement of joint liquidity operations by major global central banks. India's 10Y yield closed lower at 7.33%. It is trading a tad higher at 7.34%, following global cues and increase in oil prices.

Fig 3 – Bond 10Y yield

| | 17-03-2023 | 20-03-2023 | change in bps |
|---------|------------|------------|---------------|
| US | 3.43 | 3.48 | 6 |
| UK | 3.28 | 3.31 | 3 |
| Germany | 2.11 | 2.13 | 2 |
| Japan | 0.29 | 0.25 | (4) |
| China | 2.87 | 2.86 | (2) |
| India | 7.34 | 7.33 | (1) |

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

Fig 4 – Short term rates

| | 17-03-2023 | 20-03-2023 | change in bps |
|--------------------------|------------|------------|---------------|
| Tbill-91 days | 6.75 | 6.73 | (2) |
| Tbill-182 days | 7.23 | 7.21 | (2) |
| Tbill-364 days | 7.21 | 7.20 | (1) |
| G-Sec 2Y | 7.22 | 7.18 | (3) |
| SONIA int rate benchmark | 3.93 | 3.93 | 0 |
| US SOFR | 4.57 | 4.55 | (2) |

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

| Rs tn | 17-03-2023 | 20-03-2023 | change (Rs tn) |
|-----------------------------------|------------|------------|----------------|
| Net Liquidity (-Surplus/+deficit) | 1.2 | 0.8 | (0.4) |
| Reverse repo | 0 | 0 | 0 |
| Repo | 0.8 | 0.8 | 0 |

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

| | 16-03-2023 | 17-03-2023 | change (US\$ mn/Rs cr) |
|----------------------|------------|------------|------------------------|
| FII (US\$ mn) | 14.8 | (119.8) | (134.5) |
| Debt | (5.4) | 86.2 | 91.6 |
| Equity | 20.2 | (206.0) | (226.1) |
| 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 1.1%, as news of acquisition of Credit Suisse by UBS eased some concerns and improved appetite for oil.

Fig 7 – Commodities

| | 17-03-2023 | 20-03-2023 | % change |
|-------------------------|------------|------------|----------|
| Brent crude (US\$/bbl) | 73.0 | 73.8 | 1.1 |
| Gold (US\$/ Troy Ounce) | 1,989.3 | 1,978.8 | (0.5) |
| Copper (US\$/ MT) | 8,573.3 | 8,701.3 | 1.5 |
| Zinc (US\$/MT) | 2,931.0 | 2,912.5 | (0.6) |
| Aluminium (US\$/MT) | 2,274.0 | 2,274.5 | 0 |

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