

## MORNING MOCHA

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ECONOMIST

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Finance Ministry in its economic outlook noted the global slowdown is expected to continue in the coming months on the back of weak global demand due to monetary tightening. There is also likelihood of El Nino conditions in India which will result in higher inflation and lower agriculture output. Separately, Japan's CPI rose to 41-year high (4.2% in Jan'23 versus 4%). Stubbornly high prices of fuel and other raw material cost, pushed core inflation higher and above BoJ's target for 9<sup>th</sup> month in a row. BoJ's new governor commented on the ultra-dovish monetary strategy calling it 'appropriate'. US core PCE, is scheduled to release today (expectation of 0.4% in Jan'23 against 0.3% in Dec'22 on a MoM basis).

- Barring US indices, other global indices ended lower. Weekly jobless claims in the US dropped, signalling tighter labour market. Concerns of aggressive monetary tightening by Central Banks kept investors on the edge. Amongst other indices, Hang Seng dropped by 0.4% followed by losses in FTSE (0.3%). Sensex too ended in red led by losses in real estate and power stocks. However, it is trading higher today while other Asian stocks are trading mixed.

**Fig 1 – Stock markets**

	22-02-2023	23-02-2023	% change
Dow Jones	33,045	33,154	0.3
S & P 500	3,991	4,012	0.5
FTSE	7,931	7,908	(0.3)
Nikkei	27,473	27,104	(1.3)
Hang Seng	20,424	20,351	(0.4)
Shanghai Comp	3,291	3,287	(0.1)
Sensex	59,745	59,606	(0.2)
Nifty	17,554	17,511	(0.2)

Source: Bloomberg, Bank of Baroda Research | Note: Nikkei was closed on 23.2.23

- Barring JPY and INR (higher), other major currencies fell against the dollar. DXY ended flat. Downward revision to US Q4CY22 GDP and continued strength in US labour market impacted investor sentiments. INR was up by 0.1%. According to news reports, state owned banks and RBI reportedly sold dollars, which supported INR. It is trading further higher today, while other Asian currencies are trading lower.

**Fig 2 – Currencies**

	22-02-2023	23-02-2023	% change
EUR/USD (1 EUR / USD)	1.0605	1.0596	(0.1)
GBP/USD (1 GBP / USD)	1.2046	1.2013	(0.3)
USD/JPY (JPY / 1 USD)	134.84	134.70	0.1
USD/INR (INR / 1 USD)	82.86	82.74	0.1
USD/CNY (CNY / 1 USD)	6.8929	6.9081	(0.2)

Source: Bloomberg, Bank of Baroda Research



- Major global 10Y yields closed lower, with those in US and Germany falling the most. 10Y yield in US was down by 4bps, as weaker than expected GDP print has revived fears of impending global recession, even more so as Fed is likely to continue hiking rates in the coming months. Following global cues, India's 10Y yield fell by 3bps. It is trading a tad higher at 7.38% today.

**Fig 3 – Bond 10Y yield**

	22-02-2023	23-02-2023	change in bps
US	3.92	3.88	(4)
UK	3.60	3.59	(1)
Germany	2.52	2.48	(4)
Japan	0.51	0.51	0
China	2.92	2.93	1
India	7.40	7.37	(3)

Source: Bloomberg, Bank of Baroda Research

**Fig 4 – Short term rates**

	22-02-2023	23-02-2023	change in bps
Tbill-91 days	6.78	6.83	5
Tbill-182 days	7.10	7.16	6
Tbill-364 days	7.20	7.23	3
G-Sec 2Y	7.21	7.25	4
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	22-02-2023	23-02-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.5	0.3	(0.2)
Reverse repo	0	0	0
Repo	0.5	0.5	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	21-02-2023	22-02-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	37.4	78.4	41.0
Debt	(86.9)	85.9	172.8
Equity	124.3	(7.5)	(131.8)
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 upwards by 2% amidst news reports of steep productions cuts to Russian production (0.5mn bbl/day).

**Fig 7 – Commodities**

	22-02-2023	23-02-2023	% change
Brent crude (US\$/bbl)	80.6	82.2	2.0
Gold (US\$/ Troy Ounce)	1,825.4	1,822.3	(0.2)
Copper (US\$/ MT)	9,103.0	8,885.0	(2.4)
Zinc (US\$/MT)	3,088.8	3,059.8	(0.9)
Aluminium (US\$/MT)	2,418.0	2,396.0	(0.9)

Source: Bloomberg, Bank of Baroda Research



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