

MORNING MOCHA

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ECONOMIST
Dipanwita Mazumdar

Markets monitored slew of economic data releases. In the US, advance estimate of Q4CY22GDP data showed that the economy grew more than expected by 2.9% (est.: 2.6%). This again reignited concerns about the trajectory of future Fed rate hikes. Labour market still remained tighter with initial jobless claims rising less than expected by 186k (est.: 205k). Durable goods orders in the region also grew more than anticipated by 5.6% (est.: 2.5%). Elsewhere, the Tokyo inflation report raised concerns about BoJ's future rate decision. The CPI print rose more than expected by 4.4% on YoY basis (est.: 4%). This is the highest reading since CY81. Earlier, IMF has also pointed out that BoJ should be more flexible in terms of its YCC.

- Barring Nikkei and Sensex (lower), other global indices ended higher. Investors monitored robust data from the US (higher than expected GDP for Q4CY22 and stronger durable goods order). Amongst other indices Hang Seng (2.4%) gained the most; edging up to 11-month high boosted by tourism data and revival in demand as people started returning back from the lunar holiday. Sensex is trading lower today while other Asian stocks are trading higher today.

Fig 1 – Stock markets

	25-01-2023	26-01-2023	% change
Dow Jones	33,744	33,949	0.6
S & P 500	4,016	4,060	1.1
FTSE	7,745	7,761	0.2
Nikkei	27,395	27,363	(0.1)
Hang Seng	22,045	22,567	2.4
Shanghai Comp	3,240	3,265	0.8
Sensex	60,979	60,205	(1.3)
Nifty	18,118	17,892	(1.2)

Source: Bloomberg, Bank of Baroda Research | Note: Shanghai Comp and Indian markets were closed on 26.01.23

- Except INR (higher) and GBP (flat), other global currencies ended lower. Dollar index climbed by 0.2% backed by better than expected macro data in the US. Markets have already priced in 25bps rate hike by Fed in the upcoming meet scheduled next week. INR is trading weaker today while other Asian currencies are trading mixed.

Fig 2 – Currencies

	25-01-2023	26-01-2023	% change
EUR/USD (1 EUR / USD)	1.0916	1.0892	(0.2)
GBP/USD (1 GBP / USD)	1.2403	1.2408	0
USD/JPY (JPY / 1 USD)	129.59	130.22	(0.5)
USD/INR (INR / 1 USD)	81.72	81.59	0.2
USD/CNY (CNY / 1 USD)	6.7755	6.7845	(0.1)

Source: Bloomberg, Bank of Baroda Research | Note: China and Indian markets were closed on 26.01.23



- Global 10Y yields broadly closed higher. This was led by better than expected GDP and other high frequency macro data in the US. Thus, US 10Y yield rose by 5bps. Despite drop in CBT retailing reported sales data in the UK, its 10Y yield rose by 7bps, mainly tracking US yield. In Japan, inflation worries led 10Y yield firm up by 5bps. India's 10Y yield closed stable at 7.35%. It is trading higher at 7.38% today.

Fig 3 – Bond 10Y yield

	25-01-2023	26-01-2023	change in bps
US	3.44	3.49	5
UK	3.24	3.32	7
Germany	2.16	2.22	6
Japan	0.45	0.49	5
China	2.91	2.93	1
India	7.35	7.35	0

Source: Bloomberg, Bank of Baroda Research | Note: China and Indian markets were closed on 26.01.23

Fig 4 – Short term rates

	24-01-2023	25-01-2023	change in bps
Tbill-91 days	6.43	6.46	3
Tbill-182 days	6.81	6.84	3
Tbill-364 days	6.89	6.90	1
G-Sec 2Y	6.89	6.90	1
SONIA int rate benchmark	3.43	3.43	0
US SOFR	4.30	4.31	1

Source: Bloomberg, Bank of Baroda Research | Note: Indian markets were closed on 26.01.23

Fig 5 – Liquidity

Rs tn	24-01-2023	25-01-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0	(0.3)	(0.3)
Reverse repo	0.5	0.5	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	23-01-2023	24-01-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	31.4	120.1	88.7
Debt	3.8	134.1	130.3
Equity	27.6	(14.0)	(41.6)
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

- Global oil prices rose by 1.6% tracking robust US macro data and ahead of the OPEC+ JMMC (Joint Ministerial Monitoring Committee) meeting.

Fig 7 – Commodities

	25-01-2023	26-01-2023	% change
Brent crude (US\$/bbl)	86.1	87.5	1.6
Gold (US\$/ Troy Ounce)	1,946.1	1,929.2	(0.9)
Copper (US\$/ MT)	9,289.5	9,306.5	0.2
Zinc (US\$/MT)	3,467.0	3,508.3	1.2
Aluminium (US\$/MT)	2,658.5	2,639.0	(0.7)

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