

MORNING MOCHA

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ECONOMIST
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High frequency indicators in the US remained mixed. Pending home sales rose the most since Jun'20 by 8.1% on MoM basis, in Jan'23. Even core capital goods orders picked up by 0.8%. On the other hand, durable goods orders fell more than expected by 4.5% against est.: -4% decline. Market is looking for cues whether it is too early to interpret soft landing amidst tightening financial conditions. The mixed reaction is also reflected in equity, bonds and currency movement. Another development, has been the signing of new trade deal between UK and EU, for considering the trading status of Northern Ireland. In Japan, macro data remained mixed with industrial production declining by 4.6% on MoM basis (est.: -2.9% decline), while retail sales picked up by 1.9% (est.: +0.4%). On domestic front, 10Y yield closed at its 4-month high, on the back of tightening domestic liquidity conditions.

- Except US and UK, stock markets elsewhere declined. FTSE rose by 0.7% as UK struck a post-Brexit trade deal with the EU. US stocks rebounded after a sharp sell-off last week. Asian markets were mostly lower amidst concerns over more rate hikes by global central banks. Sensex declined by 0.3%, led by losses in metal stocks. However, it is trading higher today, following its Asian peers.

Fig 1 – Stock markets

	24-02-2023	27-02-2023	% change
Dow Jones	32,817	32,889	0.2
S & P 500	3,970	3,982	0.3
FTSE	7,879	7,935	0.7
Nikkei	27,453	27,424	(0.1)
Hang Seng	20,010	19,944	(0.3)
Shanghai Comp	3,267	3,258	(0.3)
Sensex	59,464	59,288	(0.3)
Nifty	17,466	17,393	(0.4)

Source: Bloomberg, Bank of Baroda Research

- Except INR, other global currencies appreciated against the dollar. DXY fell by 0.5% as US durable goods orders fell sharply in Jan'23. GBP gained 1% amidst positive Brexit developments. EUR rose by 0.6% as Eurozone's consumer confidence index improved. INR closed a tad bit weaker. However, it is trading stronger today, while other Asian currencies are mostly trading weaker.

Fig 2 – Currencies

	24-02-2023	27-02-2023	% change
EUR/USD (1 EUR / USD)	1.0548	1.0609	0.6
GBP/USD (1 GBP / USD)	1.1944	1.2064	1.0
USD/JPY (JPY / 1 USD)	136.48	136.19	0.2
USD/INR (INR / 1 USD)	82.75	82.85	(0.1)
USD/CNY (CNY / 1 USD)	6.9601	6.9441	0.2

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. US 10Y yield fell by 3bps as macro data remained mixed. On the other hand, Fed Governor Philip Jefferson spoke of elevated services inflation posing risks to the interest rate outlook. UK's 10Y yield rose by 15bps as trade deal between UK and EU raised hopes of better growth prospects. India's 10Y yield closed at its 4-month high of 7.44%, tracking evolving liquidity conditions. It is trading at the same level today.

Fig 3 – Bond 10Y yield

	24-02-2023	27-02-2023	change in bps
US	3.94	3.91	(3)
UK	3.66	3.81	15
Germany	2.54	2.58	4
Japan	0.50	0.51	0
China	2.92	2.92	0
India	7.42	7.44	2

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	24-02-2023	27-02-2023	change in bps
Tbill-91 days	6.88	6.87	(1)
Tbill-182 days	7.16	7.22	6
Tbill-364 days	7.26	7.28	2
G-Sec 2Y	7.25	7.28	3
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	24-02-2023	27-02-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.2	0.3	0.1
Reverse repo	0	0	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	23-02-2023	24-02-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(107.7)	(202.5)	(94.8)
Debt	13.0	(39.0)	(52.0)
Equity	(120.7)	(163.5)	(42.8)
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 fell by 0.9% amidst reports of rising US inventories.

Fig 7 – Commodities

	24-02-2023	27-02-2023	% change
Brent crude (US\$/bbl)	83.2	82.5	(0.9)
Gold (US\$/ Troy Ounce)	1,811.0	1,817.1	0.3
Copper (US\$/ MT)	8,689.0	8,783.0	1.1
Zinc (US\$/MT)	2,988.3	3,016.0	0.9
Aluminium (US\$/MT)	2,335.5	2,363.0	1.2

Source: Bloomberg, Bank of Baroda Research



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