

## MORNING MOCHA

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ECONOMIST  
 Dipanwita Mazumdar

Jobless claims data in the US remained in line with expectation, despite remaining higher than previous week. Elsewhere, US President signed a US\$ 1.7tn funding bill. In Australia, data showed that pre- Christmas spending has remained buoyant. In Japan, BoJ announced another unscheduled bond purchase, to defend the yield curve. Under which, it offered to buy unlimited amount of 2Y paper at 0.04% yield, 5Y at 0.24% yield and also offered to purchase ¥ 700bn of 1-10Y paper and ¥ 300bn of 10-25Y paper, over and above the daily operation. On domestic front, India's CAD expanded to 4.4% of GDP in Q2FY23 from 2.2% in Q2FY22, on account of weaker rupee and higher imports. In another release RBI's FSR indicated that even under stress, SCBs are well capitalised. Under the baseline scenario, GNPA ratio of SCBs are likely to improve to 4.9% in Sep'23 from 5% in Sep'22.

- Global indices ended mixed. While stocks in US and UK rose, Asian stocks were broadly lower. Asian shares were subdued as investors assessed the impact of easing Covid-19 restrictions in China. Gains in technology and consumer services stocks drove US indices higher. Sensex rose by 0.4%, supported by gains in oil & gas and metal stocks. It is trading further higher today, in line with other Asian stocks.

**Fig 1 – Stock markets**

	28-12-2022	29-12-2022	% change
Dow Jones	32,876	33,221	1.0
S & P 500	3,783	3,849	1.7
FTSE	7,497	7,513	0.2
Nikkei	26,341	26,094	(0.9)
Hang Seng	19,899	19,741	(0.8)
Shanghai Comp	3,087	3,074	(0.4)
Sensex	60,910	61,134	0.4
Nifty	18,123	18,191	0.4

Source: Bloomberg, Bank of Baroda Research, Note: Markets in UK and Hong Kong were closed on 27 Dec 2022

- Global currencies rose against the dollar. DXY fell by 0.6% as US jobless claims increased further last week. JPY gained the most by 1.1%, followed by EUR (up by 0.5%). INR appreciated by 0.1% as oil prices eased. It is trading stronger today, while other Asian currencies are trading mixed.

**Fig 2 – Currencies**

	28-12-2022	29-12-2022	% change
EUR/USD (1 EUR / USD)	1.0612	1.0661	0.5
GBP/USD (1 GBP / USD)	1.2018	1.2055	0.3
USD/JPY (JPY / 1 USD)	134.47	133.03	1.1
USD/INR (INR / 1 USD)	82.87	82.81	0.1
USD/CNY (CNY / 1 USD)	6.9819	6.9643	0.3

Source: Bloomberg, Bank of Baroda Research



- Except UK, Japan and India (stable), global yields closed lower. US 10Y yield fell by 7bps as jobless claims data remained in line with expectation. Markets will be looking for fresh cues on inflation, high frequency data for growth and also borrowing data, for cues on future trajectory of yields. India's 10Y yield is trading at the same level at 7.31% today, ahead of Rs 300bn auction.

**Fig 3 – Bond 10Y yield**

	28-12-2022	29-12-2022	change in bps
US	3.88	3.81	(7)
UK	3.66	3.66	0
Germany	2.50	2.44	(6)
Japan	0.46	0.46	0
China	2.87	2.85	(2)
India	7.31	7.31	0

Source: Bloomberg, Bank of Baroda Research Note: Market UK was closed on 27 Dec 2022

**Fig 4 – Short term rates**

	28-12-2022	29-12-2022	change in bps
Tbill-91 days	6.33	6.29	(4)
Tbill-182 days	6.73	6.70	(3)
Tbill-364 days	6.87	6.87	0
G-Sec 2Y	6.95	6.96	0
SONIA int rate benchmark	3.43	3.43	0
US SOFR	4.30	4.30	0

Source: Bloomberg, Bank of Baroda Research

**Fig 5 – Liquidity**

Rs tn	28-12-2022	29-12-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.0)	(0.0)	0
Reverse repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

**Fig 6 – Capital market flows**

	27-12-2022	28-12-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	9.4	93.4	84.0
Debt	(10.2)	144.9	155.1
Equity	19.5	(51.6)	(71.1)
Mutual funds (Rs cr)	1,903.3	650.0	(1,253.4)
Debt	690.8	313.9	(376.9)
Equity	1,212.5	336.1	(876.5)

Source: Bloomberg, Bank of Baroda Research, Note: Mutual fund data as of 21 and 22 Dec 2022

- International oil prices eased further by 1.2% amidst Covid-19 concerns in China and an increase in crude stock piles.

**Fig 7 – Commodities**

	28-12-2022	29-12-2022	% change
Brent crude (US\$/bbl)	83.3	82.3	(1.2)
Gold (US\$/ Troy Ounce)	1,804.4	1,814.9	0.6
Copper (US\$/ MT)	8,426.0	8,409.5	(0.2)
Zinc (US\$/MT)	3,025.0	3,012.8	(0.4)
Aluminium (US\$/MT)	2,381.0	2,405.0	1.0

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](mailto:chief.economist@bankofbaroda.com)