

MORNING MOCHA

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ECONOMIST
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Investors will be eyeing Fed's rate decision scheduled later this week. Markets have already priced in smaller rate hike (25bps) and are also looking for guidance on future policy. US payrolls, ISM survey and Consumer confidence data points are awaited this week, to further attest to Fed's dovish outlook. Post Fed's decision, BoE is also expected to follow the same path. Any deviation will be carefully monitored. Domestic market this week will be guided by the release of India's federal budget showcasing government's spending and fiscal consolidation path for the year ahead.

- Barring Sensex (lower), other global indices ended higher. Investors continued to monitor data from US (corporate earnings). Investors are also watchful towards upcoming Fed and BoE policy meet to offer future guidance on rate decision. Amongst other indices Hang Seng (0.5%) gained the most. Sensex ended in red. It started the week on a warmer note and is trading lower today. On the other hand, Asian stocks are trading higher today.

Fig 1 – Stock markets

	26-01-2023	27-01-2023	% change
Dow Jones	33,949	33,978	0.1
S & P 500	4,060	4,071	0.2
FTSE	7,761	7,765	0.1
Nikkei	27,363	27,383	0.1
Hang Seng	22,567	22,689	0.5
Shanghai Comp	3,224	3,265	1.3
Sensex	60,205	59,331	(1.5)
Nifty	17,892	17,604	(1.6)

Source: Bloomberg, Bank of Baroda Research | Note: Indian markets were closed on 26.01.23; Markets in China were closed last week

- Except JPY and INR, other global currencies ended lower. Dollar index climbed by 0.1% as investors await global central bank (Fed, BoE) policy decision this week. Slowdown in the economy may lead to easing pace of monetary policy tightening from this month. INR appreciated by 0.1% as oil prices fell. However, it is trading lower today, while other Asian currencies are trading higher.

Fig 2 – Currencies

	26-01-2023	27-01-2023	% change
EUR/USD (1 EUR / USD)	1.0892	1.0868	(0.2)
GBP/USD (1 GBP / USD)	1.2408	1.2382	(0.2)
USD/JPY (JPY / 1 USD)	130.22	129.88	0.3
USD/INR (INR / 1 USD)	81.59	81.52	0.1
USD/CNY (CNY / 1 USD)	6.7578	6.7845	(0.4)

Source: Bloomberg, Bank of Baroda Research | Note: Indian markets were closed on 26.01.23; Markets in China were closed last week

- Global 10Y yields broadly closed higher, except Japan (flat). Marginal movements in yields is on account of expected easing of monetary policies by major central banks this week (Fed, BoE), in the wake of growing fears of



recession. Weakness in US consumer spending signals the same. India's 10Y yield closed 4bps higher, ahead of the Union Budget presentation this week. It is trading tad lower at 7.38% today.

Fig 3 – Bond 10Y yield

	26-01-2023	27-01-2023	change in bps
US	3.49	3.50	1
UK	3.32	3.32	1
Germany	2.22	2.24	2
Japan	0.49	0.49	0
China	2.91	2.93	1
India	7.35	7.39	4

Source: Bloomberg, Bank of Baroda Research | Note: Indian markets were closed on 26.01.23; Markets in China were closed last week

Fig 4 – Short term rates

	25-01-2023	26-01-2023	change in bps
Tbill-91 days	6.46	6.47	1
Tbill-182 days	6.84	6.83	(1)
Tbill-364 days	6.90	6.88	(2)
G-Sec 2Y	6.90	6.96	6
SONIA int rate benchmark	3.43	3.43	0
US SOFR	4.31	4.30	(1)

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

Fig 5 – Liquidity

Rs tn	25-01-2023	27-01-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.3)	0.2	0.5
Reverse repo	0.5	0	(0.5)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	24-01-2023	25-01-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	120.1	82.4	(37.7)
Debt	134.1	113.8	(20.3)
Equity	(14.0)	(31.4)	(17.4)
Mutual funds (Rs cr)	(997.5)	(1,843.0)	(845.5)
Debt	(1,753.3)	(188.5)	1,564.7
Equity	755.7	(1,654.5)	(2,410.2)

Source: Bloomberg, Bank of Baroda Research

- Global oil prices fell by 0.9%, dragged by steady Russian oil supply. Gold prices too fell, as DXY gained ahead of US rate decision.

Fig 7 – Commodities

	26-01-2023	27-01-2023	% change
Brent crude (US\$/bbl)	87.5	86.7	(0.9)
Gold (US\$/ Troy Ounce)	1,929.2	1,928.0	(0.1)
Copper (US\$/ MT)	9,306.5	9,242.2	(0.7)
Zinc (US\$/MT)	3,508.3	3,438.8	(2.0)
Aluminium (US\$/MT)	2,639.0	2,627.0	(0.5)

Source: Bloomberg, Bank of Baroda Research



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