

MORNING MOCHA

31 January 2023

ECONOMIST

Aditi Gupta

IMF has raised the global growth forecast for CY23 to 2.9% from 2.7% estimated earlier. This is on account of strong demand in US and Europe, removal of lockdown in China and easing oil prices. Growth forecast for US, Europe and China was revised up. India's growth forecast was retained. In fact, IMF projects UK to be the only major economy to witness a recession in CY23. Data from China reaffirmed this view, with both manufacturing and services activity rebounding strongly in Jan'23. Official manufacturing PMI rose to 50.1 from 47 in Dec'22. Non-manufacturing PMI jumped more sharply to 54.4 from 41.6 in Dec'22. In Japan, industrial production fell less than expected by -0.1% in Dec'22 (est. -1.2%), while retail sales surprised positively (+3% in Dec'22 versus est. +3%).

- Global indices closed mixed. Investors remained cautious ahead of major central bank policy decisions (Fed: est. 25bps hike; ECB and BoE: est. 50bps hike). Apart from this, contraction in Germany's Q4 GDP and drop in industrial production in South Korea also impacted sentiments. Hang Seng dropped the most, while FTSE and Sensex noted gains. Sensex is trading lower today in line with other Asian stocks, despite better PMI print from China.

Fig 1 – Stock markets

	27-01-2023	30-01-2023	% change
Dow Jones	33,978	33,717	(0.8)
S & P 500	4,071	4,018	(1.3)
FTSE	7,765	7,785	0.3
Nikkei	27,383	27,433	0.2
Hang Seng	22,689	22,070	(2.7)
Shanghai Comp	3,265	3,269	0.1
Sensex	59,331	59,500	0.3
Nifty	17,604	17,649	0.3

Source: Bloomberg, Bank of Baroda Research

- Except INR (flat) and CNY (higher), other global currencies depreciated against the dollar. DXY rose for the third straight session as investors await key central bank policies. EUR fell by 0.2% as Germany's GDP declined in Q4CY22. GBP too declined by 0.2%. INR closed flat supported by lower oil prices. However, it is trading lower today, in line with other Asian currencies.

Fig 2 – Currencies

	27-01-2023	30-01-2023	% change
EUR/USD (1 EUR / USD)	1.0868	1.0851	(0.2)
GBP/USD (1 GBP / USD)	1.2382	1.2352	(0.2)
USD/JPY (JPY / 1 USD)	129.88	130.39	(0.4)
USD/INR (INR / 1 USD)	81.52	81.50	0
USD/CNY (CNY / 1 USD)	6.7845	6.7523	0.5

Source: Bloomberg, Bank of Baroda Research



- Global 10Y yields closed mixed. Germany's 10Y yield rose the most by 8bps ahead of ECB's policy decision. Even US 10Y yield rose by 3bps. Market is pricing in a 25bps rate hike with cues about the future trajectory of Fed fund rate. Japan and China's 10Y yield fell by 1bps, in absence of any fresh cues. India's 10Y yield rose by 1bps (7.4%). It is trading lower at 7.37% today.

Fig 3 – Bond 10Y yield

	27-01-2023	30-01-2023	change in bps
US	3.50	3.54	3
UK	3.32	3.34	1
Germany	2.24	2.32	8
Japan	0.49	0.48	(1)
China	2.93	2.92	(1)
India	7.39	7.40	1

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	26-01-2023	27-01-2023	change in bps
Tbill-91 days	6.47	6.47	0
Tbill-182 days	6.83	6.83	0
Tbill-364 days	6.88	6.90	2
G-Sec 2Y	6.96	6.99	3
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	27-01-2023	30-01-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.2	0	(0.2)
Reverse repo	0.5	0.4	(0.1)
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	25-01-2023	27-01-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	82.4	(823.7)	(906.1)
Debt	113.8	(71.1)	(185.0)
Equity	(31.4)	(752.5)	(721.1)
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 | Note: Mutual funds data as of 24 Jan 2023 and 25 Jan 2023

- Global oil prices fell by 2% amidst news reports of adequate supply from Russia despite price cap and EU ban.

Fig 7 – Commodities

	27-01-2023	30-01-2023	% change
Brent crude (US\$/bbl)	86.7	84.9	(2.0)
Gold (US\$/ Troy Ounce)	1,928.0	1,923.2	(0.3)
Copper (US\$/ MT)	9,242.2	9,188.4	(0.6)
Zinc (US\$/MT)	3,438.8	3,475.8	1.1
Aluminium (US\$/MT)	2,627.0	2,589.5	(1.4)

Source: Bloomberg, Bank of Baroda Research



Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at



For further details about this publication, please contact:

Chief Economist

Bank of Baroda

chief.economist@bankofbaroda.com