

MORNING MOCHA

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Manufacturing PMIs for China and Eurozone indicate that activity continued to remain in contraction in Dec'22 as well. While in China, the downturn was more severe with index settling at 49 from 49.4 in Nov'22, in case of Eurozone, the pace of contraction eased (47.8 versus 47.1 in Nov'22). IMF too has warned that 1/3rd of global economies will be in recession this year, led by slowdown in US, Europe and China. While most markets were closed on 2nd Jan 2023, they will open the New Year with the news of BoJ expecting to change its inflation forecasts in Jan'23 and weaker than expected Q4CY22 GDP data (2.2%—slowest since mid-2021) for Singapore. Later, US jobs report and Fed minutes will further guide the markets.

- Global indices ended mixed. Most of the indices remained closed due to holidays. Investors monitored news of IMF warning of a tougher 2023 with over 1/3rd of the world bracing the impact of recession. Fed's minutes and US jobs data will guide the market further. Sensex started the year in green (0.5%) with metal and real estate stocks logging in the highest gains. However, it is trading lower today while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	30-12-2022	2-1-2023	% change
Dow Jones	33,221	33,147	(0.2)
S & P 500	3,849	3,840	(0.3)
FTSE	7,513	7,452	(0.8)
Nikkei	26,094	26,095	0
Hang Seng	19,741	19,781	0.2
Shanghai Comp	3,074	3,089	0.5
Sensex	60,841	61,168	0.5
Nifty	18,105	18,197	0.5

Source: Bloomberg, Bank of Baroda Research| Note: Apart from India, markets were closed elsewhere on 2.1.2023

- Apart from INR (flat), other global currencies closed mixed. Dollar ended flat as all attention shifted towards Fed's minutes. Investors braced for possible signals on how high terminal rates will be in the coming months. US payrolls report will also be watchful. INR opened stronger today, while other Asian currencies are trading mixed.

Fig 2 – Currencies

	30-12-2022	2-1-2023	% change
EUR/USD (1 EUR / USD)	1.0705	1.0667	(0.4)
GBP/USD (1 GBP / USD)	1.2083	1.2046	(0.3)
USD/JPY (JPY / 1 USD)	131.12	130.80	0.2
USD/INR (INR / 1 USD)	82.74	82.75	0
USD/CNY (CNY / 1 USD)	6.9643	6.8986	1.0

Source: Bloomberg, Bank of Baroda Research



- Barring India, markets elsewhere closed for holidays. Investors this week will react of continued contraction in Eurozone manufacturing PMIs, US jobs report, Fed minutes, and IMF's warning of impending global recession in CY23. India's 10Y yield moved up by 1bps to 7.34%, however, it is trading lower today at 7.32%.

Fig 3 – Bond 10Y yield

	30-12-2022	2-1-2023	change in bps
US	3.81	3.87	6
UK	3.66	3.67	1
Germany	2.44	2.57	13
Japan	0.46	0.42	(4)
China	2.85	2.84	(1)
India	7.33	7.34	1

Source: Bloomberg, Bank of Baroda Research | Note: Apart from India, markets were closed elsewhere on 2.1.2023

Fig 4 – Short term rates

	30-12-2022	2-1-2023	change in bps
Tbill-91 days	6.29	6.26	(3)
Tbill-182 days	6.70	6.69	(1)
Tbill-364 days	6.87	6.87	0
G-Sec 2Y	6.96	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	29-12-2022	30-12-2022	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.1)	(0.7)	(0.6)
Reverse repo	0	0.3	0.3
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	29-12-2022	30-12-2022	change (US\$ mn/Rs cr)
FII (US\$ mn)	4.6	(416.9)	(421.5)
Debt	(52.0)	13.2	65.2
Equity	56.6	(430.0)	(486.6)
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 funds data as of 21 Dec 2022 and 22 Dec 2022

- Crude oil prices remained flat as IMF has warned of global recession in CY23. Gold prices were up by 0.5%.

Fig 7 – Commodities

	30-12-2022	2-1-2023	% change
Brent crude (US\$/bbl)	85.9	85.9	0
Gold (US\$/ Troy Ounce)	1,814.9	1,824.0	0.5
Copper (US\$/ MT)	8,409.5	8,364.8	(0.5)
Zinc (US\$/MT)	3,012.8	3,003.3	(0.3)
Aluminium (US\$/MT)	2,405.0	2,378.0	(1.1)

Source: Bloomberg, Bank of Baroda Research



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