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Fed Chair once again reiterated that future rate hikes will be data dependent, and a faster pace of tightening cannot be ruled out. Data showed that labour market conditions in the US remained strong with elevated job openings and robust expansion in private payrolls. Elsewhere, Bank of Canada became the first major global central bank to pause its rate hike cycle. In China, CPI inflation eased to 1% in Feb'23 (est. 1.9%). Led by lower commodity prices, deflation in PPI deepened to -1.4% versus -0.8% in Jan'23. Japan's GDP growth was revised sharply lower to 0.1% in Q4CY22 versus 0.6% estimated earlier, led by weak consumption. In India, yield curve inverted for the first time in ~8 years amidst worsening liquidity conditions and uncertainty over RBI rate hikes.

- Barring Dow Jones and markets in Hong Kong and China, other global indices ended higher. S&P and FTSE made only marginal gains as investors await US non-farm payroll and CPI data to gauge whether Fed will go for a 25bps or 50bps hike. Investor sentiment took a hit following Powell's testimony to Congress. Sensex ended in green led by gains in power and capital goods stocks. However, it is trading lower today in line with other Asian stocks.

Fig 1 – Stock markets

	07-03-2023	08-03-2023	% change
Dow Jones	32,856	32,798	(0.2)
S & P 500	3,986	3,992	0.1
FTSE	7,919	7,930	0.1
Nikkei	28,309	28,444	0.5
Hang Seng	20,534	20,051	(2.4)
Shanghai Comp	3,285	3,283	(0.1)
Sensex	60,224	60,348	0.2
Nifty	17,711	17,754	0.2

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed. DXY was broadly unchanged ahead of US jobs report due on Friday. EUR closed flat even as Germany's retail sales fell by 0.3% in Jan'23 against an estimated 2% increase. JPY depreciated by 0.1% as Japan posted a record current account deficit in Jan'23. INR too ended 0.2% lower. However, in line with other Asian currencies, it is trading stronger today.

Fig 2 – Currencies

	07-03-2023	08-03-2023	% change
EUR/USD (1 EUR / USD)	1.0549	1.0545	0
GBP/USD (1 GBP / USD)	1.1830	1.1845	0.1
USD/JPY (JPY / 1 USD)	137.16	137.36	(0.1)
USD/INR (INR / 1 USD)	81.92	82.06	(0.2)
USD/CNY (CNY / 1 USD)	6.9662	6.9592	0.1

Source: Bloomberg, Bank of Baroda Research



- Global yields closed mixed. 10Y yield in US was up by 6bps, as Fed Chair has signalled possibility of aggressive rate hikes to tame inflation. ADP employment numbers also rose and job openings have not declined as much as anticipated, indicating red hot labour market. Unexpected decline in Germany's retail sales has resurfaced fears of slowdown. India's 10Y yield fell by 2bps, following global cues. It is trading a tad higher at 7.45% today

Fig 3 – Bond 10Y yield

	07-03-2023	08-03-2023	change in bps
US	3.96	3.99	3
UK	3.82	3.77	(6)
Germany	2.69	2.65	(5)
Japan	0.50	0.51	0
China	2.89	2.90	1
India	7.41	7.43	3

Source: Bloomberg, Bank of Baroda Research, 07.26 GS 2033 security taken for India

Fig 4 – Short term rates

	07-03-2023	08-03-2023	change in bps
Tbill-91 days	6.95	6.95	0
Tbill-182 days	7.25	7.35	10
Tbill-364 days	7.34	7.46	12
G-Sec 2Y	7.29	7.38	9
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	06-03-2023	08-03-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.5)	(0.3)	0.2
Reverse repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	03-03-2023	06-03-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(93.6)	113.1	206.7
Debt	(122.4)	7.2	129.6
Equity	28.8	105.9	77.2
Mutual funds (Rs cr)	2,812.4	(405.2)	(3,217.6)
Debt	(767.8)	(844.0)	(76.2)
Equity	3,580.2	438.8	(3,141.4)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 28 Feb 2023 and 1 Mar 2023

- Global oil prices fell by 0.8%, as higher rates by Fed imply that demand will take a hit.

Fig 7 – Commodities

	07-03-2023	08-03-2023	% change
Brent crude (US\$/bbl)	83.3	82.7	(0.8)
Gold (US\$/ Troy Ounce)	1,813.5	1,813.8	0
Copper (US\$/ MT)	8,737.5	8,886.0	1.7
Zinc (US\$/MT)	2,980.8	3,004.0	0.8
Aluminium (US\$/MT)	2,350.0	2,354.0	0.2

Source: Bloomberg, Bank of Baroda Research



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