

MORNING MOCHA

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ECONOMIST

Dipanwita Mazumdar

Global macro indicators again provided discomfort with US existing home sales falling by 1.5% to 4.02mn in Dec'22 against 4.08mn in Nov'22. Adding to the woes was S.Korea's trade data, which showed that exports declined by 2.7% in the first 20days of Jan'23 (YoY) and the main concerns of exporters have been global economic slowdown. In UK as well, consumer confidence fell more than expected to 45 (est.: -40). Retail sales in the region also disappointed (-1% decline against est.: 0.5% increase). In Germany, PPI rose more than expected (-0.4% decline against est.: -1.2%). On rate front, Fed futures is pricing in two more rate hikes and officials remained wary of inflation. However markets remain confident on China's rebound. Even China's Vice Premier Liu He also struck an optimistic tone in Davos.

- Except India, stocks elsewhere rallied. Investors continued to monitor earnings reports. US indices jumped sharply led by gains in technology stocks. S&P 500 rose the most by 1.9%. Hang Seng too jumped by 1.8%. However, domestic markets ended in red with Sensex falling by 0.4%. Consumer durables and metal stocks fell the most. However, it is trading higher today in line with other Asian indices.

Fig 1 – Stock markets

	19-01-2023	20-01-2023	% change
Dow Jones	33,045	33,375	1.0
S & P 500	3,899	3,973	1.9
FTSE	7,747	7,771	0.3
Nikkei	26,405	26,554	0.6
Hang Seng	21,651	22,045	1.8
Shanghai Comp	3,240	3,265	0.8
Sensex	60,858	60,622	(0.4)
Nifty	18,108	18,028	(0.4)

Source: Bloomberg, Bank of Baroda Research

- Global currencies closed mixed against the dollar. DXY was muted as US existing home sales slumped to a 12-year low in Dec'22. JPY fell by 0.9% as BoJ Governor reiterated that the central bank will remain "extremely accommodative". INR appreciated by 0.3% even as oil prices climbed upwards. It is trading stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	19-01-2023	20-01-2023	% change
EUR/USD (1 EUR / USD)	1.0833	1.0856	0.2
GBP/USD (1 GBP / USD)	1.2391	1.2397	0
USD/JPY (JPY / 1 USD)	128.43	129.60	(0.9)
USD/INR (INR / 1 USD)	81.36	81.13	0.3
USD/CNY (CNY / 1 USD)	6.7755	6.7845	(0.1)

Source: Bloomberg, Bank of Baroda Research



- Except Japan (lower), global 10Y yields closed higher. ECB President hinted at second round effect of higher inflation. Even Fed officials (Christopher Waller and Lael Brainard) also signalled monetary tightening though the quantum might be lower than previous policies. Japan's 10Y yield fell by 6bps with 10Y yield inching below the upper band, due to policy support. India's 10Y yield rose by 4bps (7.35%) on account of lower than expected cut off for the benchmark security in the current auction. It is trading higher at 7.36% today.

Fig 3 – Bond 10Y yield

	19-01-2023	20-01-2023	change in bps
US	3.39	3.48	9
UK	3.28	3.38	10
Germany	2.07	2.18	11
Japan	0.44	0.39	(6)
China	2.91	2.93	1
India	7.31	7.35	4

Source: Bloomberg, Bank of Baroda Research

Fig 4 – Short term rates

	19-01-2023	20-01-2023	change in bps
Tbill-91 days	6.39	6.42	3
Tbill-182 days	6.79	6.75	(4)
Tbill-364 days	6.89	6.88	(1)
G-Sec 2Y	6.82	6.85	3
SONIA int rate benchmark	3.43	3.43	(0)
US SOFR	4.30	4.31	1

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	19-01-2023	20-01-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.7)	0.1	0.8
Reverse repo	0.5	0.5	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	18-01-2023	19-01-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	22.1	117.8	95.7
Debt	15.4	45.6	30.1
Equity	6.7	72.3	65.6
Mutual funds (Rs cr)	840.5	855.5	15.0
Debt	640.0	326.5	(313.5)
Equity	200.5	529.0	328.5

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data is of 4 Jan 2023 and 5 Jan 2023

- Global oil prices rose by 1.7% supported by better demand outlook of China.

Fig 7 – Commodities

	19-01-2023	20-01-2023	% change
Brent crude (US\$/bbl)	86.2	87.6	1.7
Gold (US\$/ Troy Ounce)	1,932.2	1,926.1	(0.3)
Copper (US\$/ MT)	9,301.0	9,307.8	0.1
Zinc (US\$/MT)	3,474.0	3,435.5	(1.1)
Aluminium (US\$/MT)	2,587.5	2,610.5	0.9

Source: Bloomberg, Bank of Baroda Research



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For further details about this publication, please contact:

Chief Economist

Bank of Baroda

+91 22 6698 5143

chief.economist@bankofbaroda.com