

MORNING MOCHA

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Markets remained watchful of major macro prints globally. In China, services activity grew at the strongest pace in past 6 months with Caixin PMI reading rising to 55 in Feb'23 from 52.9 seen in Jan'23. In Japan as well, services PMI rose at the fastest pace in past 8 months to 54 from 52.3 in Jan'23. Inflation of the region provided comfort coming in line with expectation at 3.3% in Feb'23 against 4.3% in Jan'23. Elsewhere in the Eurozone, harmonised CPI rose by 8.9% on YoY basis against expectation of 8.2% in Feb'23. This raised hopes of a faster pace of rate hike by ECB. Fed officials continued to emphasise higher interest rate to control inflation. While Governor Waller spoke of a terminal rate between 5.1-5.4%, Atlanta Fed President spoke of 25bps rate hike in Mar'23. In another development, US 2Y paper rose to its highest levels since Jul'07, tracking tighter labour market data.

- Global indices closed mixed. While stocks in US and UK ended higher, Asian stocks dipped. Fears of higher global rates weighed on Asian markets. On the other hand, US stocks edged up as Atlanta Fed President batted for "slow and steady" rate hikes. In India, Sensex fell by 0.8% as technology and banking stocks dipped. However, it is trading higher today in line with other Asian stocks.

Fig 1 – Stock markets

	1-03-2023	2-03-2023	% change
Dow Jones	32,662	33,004	1.0
S & P 500	3,951	3,981	0.8
FTSE	7,915	7,944	0.4
Nikkei	27,517	27,499	(0.1)
Hang Seng	20,620	20,429	(0.9)
Shanghai Comp	3,312	3,311	(0.1)
Sensex	59,411	58,909	(0.8)
Nifty	17,451	17,322	(0.7)

Source: Bloomberg, Bank of Baroda Research

- Global currencies fell against the dollar. DXY rose by 0.5% as a resilient labour market (falling US jobless claims) reinforced views of higher Fed rates. GBP fell by 0.7% after comments from BoE Governor. EUR too dropped by 0.7% even as Eurozone inflation inched up. INR depreciated by 0.1% amidst higher oil prices. However it is trading stronger today in line with other Asian currencies.

Fig 2 – Currencies

	1-03-2023	2-03-2023	% change
EUR/USD (1 EUR / USD)	1.0668	1.0597	(0.7)
GBP/USD (1 GBP / USD)	1.2029	1.1946	(0.7)
USD/JPY (JPY / 1 USD)	136.19	136.77	(0.4)
USD/INR (INR / 1 USD)	82.51	82.59	(0.1)
USD/CNY (CNY / 1 USD)	6.8698	6.9168	(0.7)

Source: Bloomberg, Bank of Baroda Research



- Except Japan (stable), global yields closed higher. US 10Y yield rose the most by 6bps monitoring tighter labour market data and also comments from Fed officials which hinted at more rate hikes. UK and Germany's 10Y yield rose by 4bps each tracking comments from Governor Bailey and also keeping an eye on Eurozone inflation data, which posed upside risks to rate outlook. India's 10Y yield rose by 2bps (7.42%). It is trading at 7.41% today.

Fig 3 – Bond 10Y yield

	1-03-2023	2-03-2023	change in bps
US	3.99	4.06	6
UK	3.84	3.88	4
Germany	2.71	2.75	4
Japan	0.51	0.51	0
China	2.91	2.93	1
India	7.39	7.42	2

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

Fig 4 – Short term rates

	1-03-2023	2-03-2023	change in bps
Tbill-91 days	6.94	6.91	(3)
Tbill-182 days	7.28	7.27	(1)
Tbill-364 days	7.37	7.36	(1)
G-Sec 2Y	7.32	7.32	(0)
SONIA int rate benchmark	3.93	3.93	-
US SOFR	4.55	4.55	-

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	1-03-2023	2-03-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.7)	(0.8)	(0.1)
Reverse repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	28-02-2023	01-03-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(563.8)	117.2	681.0
Debt	(2.3)	15.3	17.6
Equity	(561.5)	101.9	663.4
Mutual funds (Rs cr)	(235.0)	(21.3)	213.7
Debt	(352.2)	(68.8)	283.5
Equity	117.3	47.5	(69.8)

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 14 Feb 2023 and 15 Feb 2023

- Global oil prices rose further by 0.5% amidst hopes of a fast economic recovery in China which boosted the demand outlook.

Fig 7 – Commodities

	1-03-2023	2-03-2023	% change
Brent crude (US\$/bbl)	84.3	84.8	0.5
Gold (US\$/ Troy Ounce)	1,836.7	1,835.9	(0.0)
Copper (US\$/ MT)	9,084.0	8,928.1	(1.7)
Zinc (US\$/MT)	3,142.5	3,067.0	(2.4)
Aluminium (US\$/MT)	2,431.5	2,399.5	(1.3)

Source: Bloomberg, Bank of Baroda Research



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