

MORNING MOCHA

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Services activity globally showed revival. Services PMI in India, China, Japan, UK, and Eurozone rose sharply in Feb'23. In US, ISM services remained in the expansionary zone but eased a tad to 55.1 from 55.2 in Jan'23. Officials from both the Fed and ECB reiterated the need for more rate hikes to cool inflation. In further signs of resilience in the Eurozone, Germany's export growth showed momentum, rising by 2.1% in Jan'23 (est. 1.5%) on a MoM basis. In India, services PMI rose to a 12-year high at 59.4 in Feb'23 from 57.2 in Jan'23 supported by moderation in input prices and increase in new orders. Market focus will be on US jobs reports, Fed Chair's testimony, BoJ and RBA's policy meet as well as UK's GDP print due this week. In India, focus will be on IIP data.

- Barring FTSE, other global indices ended higher. Investors' sentiments were supported by sharp improvement in global composite and Eurozone services PMIs. FTSE was dragged down by energy sector. Sensex too ended in green led by gains in banking, power and metal stocks. It is trading further higher today in line with other Asian stocks, even as China kept its growth projection for the current year at 5% (est.5.5%).

Fig 1 – Stock markets

	02-03-2023	03-03-2023	% change
Dow Jones	33,004	33,391	1.2
S & P 500	3,981	4,046	1.6
FTSE	7,944	7,947	0
Nikkei	27,499	27,927	1.6
Hang Seng	20,429	20,568	0.7
Shanghai Comp	3,311	3,328	0.5
Sensex	58,909	59,809	1.5
Nifty	17,322	17,594	1.6

Source: Bloomberg, Bank of Baroda Research

- Global currencies registered gains against the dollar. DXY fell by 0.5% as investors assessed the Fed's future rate trajectory. GBP gained 0.8% as UK's services PMI rose to an 8-month high. INR too appreciated by 0.7% to a 1-month high, supported by gains in domestic equities. It is trading further stronger today, in line with other Asian currencies.

Fig 2 – Currencies

	02-03-2023	03-03-2023	% change
EUR/USD (1 EUR / USD)	1.0597	1.0635	0.4
GBP/USD (1 GBP / USD)	1.1946	1.2036	0.8
USD/JPY (JPY / 1 USD)	136.77	135.87	0.7
USD/INR (INR / 1 USD)	82.59	81.97	0.8
USD/CNY (CNY / 1 USD)	6.9168	6.9043	0.2

Source: Bloomberg, Bank of Baroda Research



- Except Japan (flat), other global 10Y yields closed lower, with yields in US and Germany falling the most. 10Y yield in US fell by 10bps, as Fed's semi-annual report to Congress signalled that the central bank is likely to continue hiking at the current pace (25bps), instead of opting for more aggressive rate hikes. India's 10Y yield fell by 2bps, following global cues. It is trading lower at 7.38% today.

Fig 3 – Bond 10Y yield

	02-03-2023	03-03-2023	change in bps
US	4.06	3.95	(10)
UK	3.88	3.85	(3)
Germany	2.75	2.72	(4)
Japan	0.51	0.51	0
China	2.93	2.92	(1)
India	7.42	7.40	(2)

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

Fig 4 – Short term rates

	02-03-2023	03-03-2023	change in bps
Tbill-91 days	6.91	6.90	(1)
Tbill-182 days	7.27	7.23	(4)
Tbill-364 days	7.36	7.35	(1)
G-Sec 2Y	7.32	7.31	(1)
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	02-03-2023	03-03-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	(0.8)	(0.6)	0.2
Reverse repo	0.1	0.1	0
Repo	0	0	0

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	01-03-2023	02-03-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	117.2	1,576.3	1,459.1
Debt	15.3	33.0	17.6
Equity	101.9	1,543.3	1,441.5
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 rose by 1.3% amidst hopes of a demand revival as China's services PMI inched up.

Fig 7 – Commodities

	02-03-2023	03-03-2023	% change
Brent crude (US\$/bbl)	84.8	85.8	1.3
Gold (US\$/ Troy Ounce)	1,835.9	1,856.5	1.1
Copper (US\$/ MT)	8,928.1	8,954.5	0.3
Zinc (US\$/MT)	3,067.0	3,100.5	1.1
Aluminium (US\$/MT)	2,399.5	2,405.0	0.2

Source: Bloomberg, Bank of Baroda Research



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