

MORNING MOCHA

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Timely actions by global Central Banks has kept the lid over the ongoing challenges in the financial system. However the risk of contagion resurfaced, adding to the unease and raising the risk of uncertainty yet again. This pushed the global indices in to jitters, as the credit default swaps of Deutsche Bank shot up. Against this backdrop, investors moved towards safe heaven, with yields taking a pinch and ending lower. Even strong flash PMI readings could not have much support. Markets will await the release of core PCE (US) and Germany's IFO index.

- Barring Dow and S&P 500, global stocks closed lower. Ongoing banking turmoil got escalated with credit default swap of Deutsche Bank noting considerable jump. Even a better flash PMI reading in Germany and US could not lift investors' sentiments. Minneapolis Fed President also remained uncertain about whether the deepening crisis signal recession in the US or not. FTSE fell the most by 1.3% followed by Hang Seng (-0.7%). Sensex also fell by -0.7% dragged down by metal and real estate stocks. However, it is trading higher today, while other Asian stocks are trading mixed.

Fig 1 – Stock markets

	23-03-2023	24-03-2023	% change
Dow Jones	32,105	32,238	0.4
S & P 500	3,949	3,971	0.6
FTSE	7,500	7,405	(1.3)
Nikkei	27,420	27,385	(0.1)
Hang Seng	20,050	19,916	(0.7)
Shanghai Comp	3,287	3,266	(0.6)
Sensex	57,925	57,527	(0.7)
Nifty	17,077	16,945	(0.8)

Source: Bloomberg, Bank of Baroda Research

- Barring JPY, other global currencies ended lower against the dollar. DXY continues to strengthen and edged up by 0.6% as investors monitored new developments amidst signs of nervousness re-emerging around the banking system. INR depreciated by 0.3%. It is trading higher today while other Asian currencies are trading mixed.

Fig 2 – Currencies

	23-03-2023	24-03-2023	% change
EUR/USD (1 EUR / USD)	1.0831	1.0760	(0.7)
GBP/USD (1 GBP / USD)	1.2287	1.2233	(0.4)
USD/JPY (JPY / 1 USD)	130.85	130.73	0.1
USD/INR (INR / 1 USD)	82.26	82.48	(0.3)
USD/CNY (CNY / 1 USD)	6.8232	6.8673	(0.6)

Source: Bloomberg, Bank of Baroda Research



- Global yields fell across the board. This was led by a risk off rally where appetite for sovereign securities increased. UK's 10Y yield fell the most by 8bps, followed by Germany's (-7bps) and US' (-5bps). This week holds the key as US PCE data is scheduled to be released and is expected to inch up by 0.3% in Feb'23 (MoM), which will guide the trajectory of US 10Y yield. India's 10Y yield fell by 2bps (7.31%) tracking global yields. It is trading at 7.32% today.

Fig 3 – Bond 10Y yield

	23-03-2023	24-03-2023	change in bps
US	3.43	3.38	(5)
UK	3.36	3.28	(8)
Germany	2.20	2.13	(7)
Japan	0.32	0.32	(1)
China	2.87	2.87	0
India	7.33	7.31	(2)

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

Fig 4 – Short term rates

	23-03-2023	24-03-2023	change in bps
Tbill-91 days	6.71	6.73	2
Tbill-182 days	7.20	7.18	(2)
Tbill-364 days	7.22	7.18	(4)
G-Sec 2Y	7.19	7.17	(3)
SONIA int rate benchmark	3.93	4.18	25
US SOFR	4.55	4.80	25

Source: Bloomberg, Bank of Baroda Research

Fig 5 – Liquidity

Rs tn	23-03-2023	24-03-2023	change (Rs tn)
Net Liquidity (-Surplus/+deficit)	0.4	0.8	0.4
Reverse repo	0	0	0
Repo	0.8	0	(0.8)

Source: RBI, Bank of Baroda Research

Fig 6 – Capital market flows

	20-03-2023	21-03-2023	change (US\$ mn/Rs cr)
FII (US\$ mn)	(204.4)	102.9	307.3
Debt	26.6	229.2	202.6
Equity	(231.0)	(126.3)	104.7
Mutual funds (Rs cr)	1,029.5	203.1	(826.4)
Debt	1,105.4	(148.5)	(1,253.8)
Equity	(75.9)	351.6	427.5

Source: Bloomberg, Bank of Baroda Research | Note: Mutual funds data as of 9 Mar 2023 and 10 Mar 2023

- Global oil prices fell by 1.2%, as risk to global financial system returned. Gold prices took a beating and declined by 0.8%.

Fig 7 – Commodities

	23-03-2023	24-03-2023	% change
Brent crude (US\$/bbl)	75.9	75.0	(1.2)
Gold (US\$/ Troy Ounce)	1,993.4	1,978.2	(0.8)
Copper (US\$/ MT)	9,033.0	8,911.8	(1.3)
Zinc (US\$/MT)	2,936.0	2,923.3	(0.4)
Aluminium (US\$/MT)	2,326.0	2,337.0	0.5

Source: Bloomberg, Bank of Baroda Research



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